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Share Power
In The
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Why A Nanny
Scandal Rocked
The New
Administration



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CANADA'S WEEKLY NEWSMAGAZINE 11 MARCH 1, 1993 VOL. 206 NO. 10

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COVER

MR. & MRS. PRESIDENT



The crisis began for Bill Clinton immediately after his inauguration as the 42nd President of the United States. Even before he could begin to address the domestic economic platform on which he was elected, he lost his attorney general nominee to an illegal-scammy controversy and confronted new military problems in Iraq. He even faced a renewed trade dispute with Canada. — 36

BUSINESS

A FRIEND IN NEED

After just six weeks at the helm of Toronto-based Royal Trustco Ltd., president James Miller announced last week that the troubled company is searching for an infusion of capital. Uncertainty about the company's future quickly spread to other components of the Broadbank family empire. — 48



SPORTS

A SUPER RIVALRY



The Super Bowl showdown between the Dallas Cowboys and the Buffalo Bills, set for Jan. 31 in Pasadena, has the makings of a classic American matchup—glamour versus grit. And fans in both football-crazed cities are already working themselves into a super-charged frenzy. — 32

LETTERS

'Major player'

It is vital to the national security of Canada that the government discontinue using its serious national deficit as the excuse for continuing underfunding national defence. Having accepted the role of a major player in the United Nations ("Global Copy," Cover, Jan. 15), there must be a commensurate level of defence funding to carry out that policy. In view of the rising international instability and global economic distress in the new world disorder, it is evident that Canada continues to need credible armed forces.

J. Carl Brinkworth
Brampton, Ont. & C.



Canadian peacekeepers in Cambodia: no more excuses for underfunding defence

Tell it like it is

I strongly object to the use of language in the article "Men's rights back" (Question, Jan. 15). Marlow's words, "Marlow's Jenson admitted that he and two other boys had been having sexual relations with Chubb for several years before her death." A child is not capable, in body, mind or spirit, of having "sexual relations" with anyone. To use that phrase implies an adult consensual act. It was sexual abuse in the most heinous and deplorable form of incest. A child is sexually abused, sexually molested, sexually raped. Respect her life and the memories of all survivors of childhood sexual abuse by naming the crime.

Catherine Hargrave
London, Ont.

Right on the money

I feel compelled to respond to Francaise Pelletier's apt and enlightening column "Where pleasure outweighs duty?" (See 11), in which she describes how Quebecers differ from other Canadians. As a Winterer with close ties to Quebec, this is exactly the difference. There's been trying to pass it to my friends for some time, with limited success. Pelletier describes it so vividly and with such joy that I think I will simply carry her column around and bring it out to support my point of view.

D. M. Lockhart
Winnipeg

An educated solution

I would like to congratulate Marlow's for his balanced coverage in the Special Report on education in the Jan. 15 issue ("What's wrong at school?"). Some writers avoided offering

simplest solutions to what is a very complex issue. Three points deserve further exploration. Firstly, the lack of a local, let alone national, consensus on educational objectives is the major issue now facing Canadians. Secondly, there is no best way of teaching reading or anything else for that matter. Finally, the comparison of achievement levels of Canadian students with those international counterparts is a waste of time. The Asian countries, to which we are so often compared, differ so dramatically from our own that comparisons are close to useless.

Eugene Murphy
Principal, St. Joseph's Junior High School
Stouffville, P.E.I.

Eyes on the 'troops'

When something is perceived as "going wrong" with the education system, the eyes of the public are on the "troops" at the front lines—teachers. Teachers deliver programs to their students through learning objectives and these are dictated by their "commanders"—the ministry of education and local school boards. If parents are dissatisfied with today's education system, changes must be made from the planning levels. Give the "troops" a break.

J. E. Sturuk
St. Catharines, Ont.

As a teacher for 12 years, I would like to comment that students are given far more individual attention than in the past. I believe that schools are more compassionate and sensitive to the issues students face as they mature.

I also believe that all of this attention has a flip side. In many cases, students come to demand individual attention and are often lacking in responsibility, independence and a work ethic. A commitment to hard work is our key to higher standards.

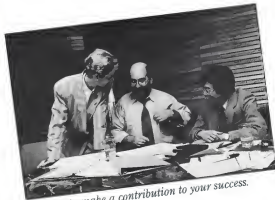
Teresa Murray
Hamilton

Protecting Bramalea

I am offended by the tone and content of Peter C. Newman's column "The going to attend in our country" (Business Watch, Jan. 15). When Bramalea's legal counsel appeared before the Ontario Court of Justice to seek a stay order under the Companies' Creditors Arrangement Act, we were not filing for bankruptcy. We asked the court to supervise the final vote by all creditors on Bramalea's revised business plan. Bramalea's major lenders agreed that court protection made short-term sense so that Bramalea could restructure its affairs in a climate of confidence. That was public knowledge in much as two weeks before the filing occurred. My presence in court was neither necessary nor appropriate. For that reason, I decided to keep my commitment to my wife and children to take a brief vacation. Our lives are a hectic and stressful one. All of our financial partners, employees and the news media were kept informed of our activities every step of the way. The CCAA filing, as a means of facilitating a final vote on our plan was made to dissuade no one.

Morris Marshall
President and Chief Executive Officer
Bramalea Ltd.
Toronto

Letters may be condensed. Please include name, address and daytime telephone number. Write letters to the Editor. Letters are mailed on Thursdays. Please allow 10 days for the return of the letter. (All letters are subject to editing.)



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OPENING NOTES

Sobering drinks,
culinary trades
and a feast of
cinematic horror



IN THE LINE OF FIRE

[illegible]

ATTITUDE ADJUSTMENT

The glasses aside in racks above the bar, the cooler is stacked with beer and wine and the couple at the end of the bar sip chardonnay. But so are in Vancouver's *Lifestyles* bar is getting drunk, because each of the 80 beers, wines and liquors served at *Lifestyles* contains less than one per cent alcohol.



The bar is the brainchild of Richard McFar, president of Lifestyles N.A.—for “non-alcoholic”—Beverage Corp., which imports de-alcoholized drinks from around the world.



Mike McEneaney

and distributes them across Canada. After his Dec. 4 speaking, McEneaney said, however, "just took off." He added "After two drinks, alcohol is a depressant anyway. The reason people have a good time in a bar is the sentence, the people, a nice glass of beer or wine. The most common mistake was, 'I'm about home.'" McEneaney drank 350 years ago, but he acknowledges that he's not a teetotaler. "Because from our perspective," he added, "we still classify eye therapists

Hammer Time

Although motorists often regret them as a nuisance, for police they are powerful weapons in the war against speeding. But since the Canadian Police Association called for a ban on hand-held radar guns in December, citing U.S. studies that have linked low-level violations caused by the guns with an increased risk of fatal car crashes, an increasing number of police forces across Canada have laid aside the high-tech tools. So far, municipal forces in Ottawa, Oshawa, Orléans, and Moose Jaw, Sask., as well as several regional forces in Quebec and Ontario, have stopped using their radar guns. In Ottawa, Insp. Richard Braccione said that the

The Frugal Statistician

The recession is over, then? With those words last week, Philip Cross, Statistics Canada's director of current analysis, declared an end to one of the most bitter economic downturns in Canadian history. But the long-awaited recovery will have little impact on the personal habits of the man who declared its advent.

A 28-year-old bachelor who shares his Ottawa home with his two cats, Eric and Mary, Crossin is an avowed party crusher. "I always save for the long run," he told *Maxline's* Cross, who fielded some threatening phone calls from several of the recreation's victims last week, is clearly not about to celebrate the change in costume choice with any special first excursions. He drives a cool-but 1990 Honda Civic, and says that he prefers to spend his vacation time at home working on his hobby, painting. Said Cross: "The truth is, I'm a really cheap person who says cash for everything."

AT A NEARBY VIDEO STORE

Earlier this month, a Guelph, Ont.-based citizen group that calls itself the Coalition for the Safety of Our Daughters began distributing in Ontario politicians a 30-minute video cassette titled *Red Harvest*, composed of violent scenes clipped from movies that are available for rental across Canada. Members of the coalition say that so-called *quicker films* promote hatred of women and should be more rigidly regulated. *Women's Assistant Editor Joe Chaffey* rated two of the movies cited in the coalition and recommended their bans.



and leads them to his damaged wife, who suffers from "unstable tendencies." The movie depicts the murders of five young women—a husband stuffing, two shootings, one decapitation and one impaling at a park—along with a shot of three victims hanging in this murderhouse (using the film as title



BLOOD FEAST (1943)

PASSAGES

ADJOURNED: Until Feb. 4, the trial of National Hockey League star Eric Lindros, 29, on a charge of common assault involving accusations that he poured and spat beer onto factory worker Lynn Whalley, 24, in a Whiteby, Ont., marketplace last Nov. 29.



Several defense witnesses said that Lindro's account had in fact started the so-called beer fight by pouring beer onto the Philadelphia Flyer forward. Lindro has had countersuits against Nancy. Testimony at Lindro's trial is expected from two more defense witnesses, including Lindro.

er's brain. In one particularly offensive scene, he slaps a partially clad woman and then collects her blood for his stew. Almost as disturbing are the movie's attempts at comic relief. When the police nab Barnes before his feast is served, Mrs. Fremont exclaims, "Oh dear, I guess we'll have to eat hamburgers for dinner tonight." *Blood Feast* is considered by many aficionados to be a classic in the slasher genre.

The well-armed gourmet

A though food is in desperately short supply in Somalia, the **AMIS** Canadian ground troops serving there have a choice of 25 meals, ranging from hard-boiled eggs to shepherd's pie, which are packaged in Montreal and flown in once a week. Soldiers from the 28 countries that make up the international coalition have been warned not to distribute their rations to Somalia—each eating centre enough protein to promote a potential outbreak of dysentery in an individual who is severely malnourished. The AMIS menu also includes soups among themselves. French meals, which others include fresh bread and veg, are most popular, although soldiers who have tried them say they're "typical basic combat kitchen—their food is okay." The American MREs (meats-ready-to-eat) are at the bottom of the culinary pecking order: especially the soupy packets of potatoes au gratin. Canadian meals rank somewhere in between: in Mogadishu, one day's worth of AMIS food was described as "the best I've ever had," says Canadian "don't like our stuff," concluded Marine Capt. Marvin McWaters, 32. "But if we catch them by their vests' tails, we sometimes can give someone a taste."

OBITUARY Longtime Quebec feminist and peace activist Suzanne Monser Chénier, 73, of pancreatic and liver cancer, is hospitalized in Montreal. She helped found two women's organizations and was also president of the human rights group La Ligue des droits de l'homme.

SHED: The last of vaudeville's eight Sings O'Canoe Sisters, Geraldine O'Canoe, 86, is Toronto's The women, born into a pioneering southern Ontario farm family, performed in all the great North American vaudeville theatres from 1907 to 1937 with stars who included Jimmy Durante, Sophie Tucker, Red Skelton, Eddie Cantor and the husband-and-wife team of George Burns and Gracie Allen.

DIED: Fraktur English author Eleanor Hibbert, believed to be in her 80s, on a Mediterranean cruise ship. She wrote her 90 historical and Gothic novels under seven pen names, the best-known being Jean Plaidy. Victoria Holt and Philippa Carr.

SANE: Celebrity lawyer Melvin Bell, 55, by four of his partners, in San Francisco. The partners, who are claiming unspecified damages, say that Bell broke a partnership agreement by continuing to work with another lawyer that they had rejected as a partner. Bell's best-known case was his unsuccessful defense of Jack Ruby, who killed Lee Harvey Oswald, suspected assassin of president John F. Kennedy, in 1963.

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COLUMN



Charles, Diana—and the role of the media

BY BARBARA AMIEL

Like many of my fellow residents in Britain, I am currently surfeited with commentary over the behavior of our royals. "Well," said my neighbors astutely, "we've got a future King that wants to be a Simpson boy and a future Queen that makes Lady Macher's hair look awry."

Apart from the fact that I find it galling to have a million whoopie men's trousers than the future King, I couldn't disagree. The world "Camillaporn" tapes indeed had Charles looking like he might be a better sanitary device in the next world so he could be close to his beloved, unless, of course, this was a throwaway line between two lovers in a private call—the sort of lewd chat any of us might say to us named after him to express how much we care—I couldn't ever take a quarrel with Charles that seriously. Why does it take quite one of our great poets, Pope or Dryden or Marlowe, and come back to the beloved's handkerchief or head? None for the newspapers but Charles' rowing accident or giving up the throne, but frankly the damage is done.

For her part, the Princess of Wales is an unrepentant life creature. Beautiful she certainly is, but looking I suppose, but to deliberately leak intimate family news to the media through Andrew Morton's book *Diana: Her True Story*, as, in my view, akin to treason. One doesn't need blood to understand about not winking with dirty news in public. I can't imagine how the Queen manages to resolve her conflicts with *The Windsors* around.

Many of us know how awful it is to be married to a man whose glands yearn for someone other than ourselves, and so we can't be overly without sympathy for Diana's pain. But I'd have more sympathy if the had cut up of Charles' beautifully tailored suit and poured tar on Canada and her Simpson-loving Member of the press, ah, the press, the messenger is broken.

The interesting aspect of this is how the press coverage has been used as a life line for the new marriage controls. But they are

*We either have
freedom of speech or
we do not. There is
no such thing as an
almost free press.
Freedom is indivisible.*

Labour newspapers have been attacking the government of John Major and he has been asking to shut them up. The adoration of the public over the coverage of the House of Windsor has provided a perfect opportunity. In the name of "privacy," reports on how to control the press have been surfacing with great speed. The latest is the report of Sir David Calcutt, which suggests, among other things, a government-appointed tribunal with legal authority to discipline, fine and force the press to print the tribunal's apologies.

The unbridled British press is quite unlike the press anywhere else in the world. In London alone, we have five glossy daily newspapers, four perfectly good daily tabloids and the poorer press. At its best, so can we track the British press. Our gutter press belongs to the "unreliable." Reporters lie (as he works as well as relatives of member nations, credit hospital rooms, warm conversations and have a particular love of pretending to be victims of savage police. What should we do?

Nothing, in my view. A country gets the press it deserves, and the British people deserve a bloody good and a bloody vulgar press, reflecting a society where political and cultural life are in extremes. That, incidentally, is

why I think Canada has previously the indifference to crime is a What makes sense is to update a solitary criminal law. It is illegal for a reporter to break down a lady's door and take photos of people as bed or anywhere as their private homes. Similarly, it should be illegal to do that by means of the new technology. All that is required is to record coming laws so that domestic studios, logging devices and super-long lenses can't effectively break down doors, and make illegal the tapping of mobile telephones.

France and Italy have laws that make it an offense to criticize the head of state. I suppose if a society decides that a family, in the Windsors, are to be members of Crown and State, we could make them exempt from all public criticism so long as they had absolutely no political power. The trouble is that people like Prince Charles are always raising around giving their "notes" on such matters as architecture, which can be very trying as well as very influential in winning or losing a job.

What intrigues me is the attitude of others to freedom of the press. Many European countries, such as France, Spain and Germany, give people copyright to their "image." That means newspapers can't use photos of them without a person's like without their permission. It would be possible to use a photo of a public person without permission, providing he was doing a public job. But if Harry Kishi should be photographed on a weekend with no newspaper, such laws are not really to be published in Europe for two reasons: because of the privacy laws and because the tribunals that regulate the press are far more politically complicated than the open courts of Anglo-Saxon jurisprudence. That is why the *Daily Mirror* just damages a Frenchman's photo of her in an encounter with financial adviser John Ryan that was freely published in England.

While I may find these laws personally advantageous, having said "no" to some European public requests, I can't say that I agree with them. No one should have copyright on their life. We do not own our lives and the stories the way we own a bicycle or a house. Most countries don't seem to get the balance right anyway. Germany has strict laws about reporting celebrities' lives. They also make it impossible for ordinary citizens to voluntarily sell their own photographs in their houses, which can happen in the main line. Nor am I impressed with the "right of reply," popular in European newspapers, which pressure groups use to let up newspaper pages.

In the end, we either have freedom of speech or we do not. There is no such thing as an almost free press. Freedom is indivisible. The real problem—the only problem with a free press—is the people who do not have the financial means to make newspapers to count for their own. That is very serious, but can surely be solved by periodic tax on newspaper sales and legal aid for the cases that the courts do not consider frivolous. Such actions would be sure the people who are victims of being less, logging and taped telephone calls are truly independent citizens who can make their own. Charles et al. can work.



CHANGING GUARDS

FOR VOTERS, POLLSTERS AND PROFESSIONAL CAMPAIGNERS, 1993 IS SHAPING UP AS A VERY BUSY YEAR

In the tightly knit world of Canadian electoral politics, John Lauchinger is a seasoned veteran. The 50-year-old Conservative consultant has, over the past 20 years, managed 11 provincial leadership campaigns, six provincial election campaigns and one federal Tory leadership bid—but the renowned John Crease in 1993. At the best of times, the work has proven exhilarating. But lately, even veterans like Lauchinger have been wondering how they can possibly pull the very public mood toward the political establishment. Says Lauchinger wryly: "This is a time for digging a hole, stepping in it and keeping our heads down."

For legends of politics and electoral strategists, however, that will be impossible in 1993. Within the next few weeks, Lauchinger and other leadership specialists may be pressed into action to help choose a new federal Tory leader to succeed Prime Minister Brian Mulroney whose resignation is widely expected within the party. And regardless of Mulroney's personal career plans, the federal government has called a general election for the fall. In Nova Scotia, meanwhile, Premier Donald Cameron—who took over the Conservative leadership in February 1991—has until September to call a provincial election. Elections also are likely this year in Alberta, Prince Edward Island and Newfoundland, although technically the northeast governments in each of these provinces could wait until early 1994. As a result, the electoral calendar is now more crowded than it has been in years. And Gerald Caplan, a veteran editor and Ontario news strategist, "is going to be a killer of a year."

For many, the past year has already been extraordinary. In Alberta, Barbara Stansky, a Calgary broadcaster for the province Conservatives, says that she and her fellow Tories have worked on three provincial by-elections, a



Lauchinger with survivors of past campaigns battles: "people are compressed"

by-election campaign—won by Ralph Klein, who took over the premiership from Donald Getty on Dec. 14—and the Oct. 26 constitutional referendum. Bob Sharby: "It has been horrendous." She added that, "strictly for organizational reasons," she is hoping that Klein could be provincial election soon—and before the federal Conservatives go to the polls. "There are a limited number of volunteers as any

campaign—you have them out with two campaigns close together," she said. "I prefer, ideally, to have people fresh and ready."

One looming challenge for members of all established parties is the need to address the public's deep-seated distrust with politicians and the political process. In the recent Blackbox survey poll by Toronto-based Decima Research, 73 per cent of respondents across

Canada said that their faith in politicians to serve the public interest had decreased over the past five years while only seven per cent said that it had increased. At the same time, more than two-thirds of those surveyed said that politicians "only were interested in helping themselves" or that they spend too much time "talking among themselves and not enough time with the people."

The depth of the public's alienation was not clear to many politicians until last fall's constitutional referendum. Even though opponents from three major political parties polled their clients and pulled out all the stops to sell the Charter amendments, more than six per cent, and a total of 34.4 per cent of all Canadians, rejected it—effectively killing the approval. That willingness by voters to defy their leaders has turned electoral politics into a potential minefield, says Michael Adams, president of Decima Research Ltd., a Toronto-based polling firm. He adds that while the referendum gave voters an opportunity to blow off steam, they remain unhappy and distrustful.

Said Adams: "They are just waiting for the next time that one of them sticks its foot behind them and they will strike back." In that hostile political climate, it is not surprising that governments have delayed going to the polls. Traditionally, majority governments in Canada have tended to go the people in the fourth year of their mandate, added, Mulroney himself has said that governments that cling to power beyond the four-year mark risk undermining their right to govern. But in Nova Scotia, Cameron's Conservatives are now well into their fifth year in office. Mulroney's government is in the same position, but most Tory strategists say that they do not

expect a federal election call until the late summer, at the earliest. Said Lauchinger: "No one expects the clock to tick. People are still prepared to give our leaders the benefit of the doubt, but they are impatient and cynical with incumbents."

Other strategists, including John Deau, who is expected to help run the 1993 federal campaign, suspect that such a strategy only deepened an already important election. Declared Deau, who is secretary-treasurer of the Ontario Federation of Labor: "I think the longer we go without an election, the more that mood is going to solidify. There is a real sense among the population that Mulroney does not have the right to govern any longer."

Still, the public mood does not threaten all politicians equally. Pollsters and campaign professionals say that any candidate, from any political party who shows a willingness to listen, to listen to voters' concerns will likely be successful. Said Deau Young, a former NDP consultant and broadcaster who is now an organizer for the Reform Party of Canada in Saskatchewan and Manitoba: "People are at their worst and about where to go and whom to support. People want more truth and honesty." Adds Michael Marquis, chairman of Toronto-based polling company Insight Canada Research which has been doing private polling for the federal Liberals: "People are looking for 'representativeness'—in other words, candidates who mirror voters of themselves."

Among those being courted by both the Tories and Liberals: Mr. Gen. Leon MacKenzie of the Canadian Forces, who recently announced his retirement from the military. Given the circumstances, perhaps the best strategy for any political leader is to "be able to have a clear policy and explain it in a caring way to voters. The demand for change—and for compromise—in government is intense."

Said Linda Dyer, president of Boulder Market Research Ltd. at Fredericton, N.B.: "The disaffection and cynicism are palpable. It is scary for democracy." Still, for all these experts' warnings and collective expertise, political strategists acknowledge that they are no longer sure how to win or how to make the race against the Establishment. Said Caplan: "None of us has an idea of how to deal with this distrust. There isn't been a more complicated time for an election. That is, of course, in why we live it so much. For those who see it as a challenge, this year a politics will surely provide it."

Federal government	Dec. 12, 1993
Nova Scotia	Sept. 8, 1993
Alberta	March 20, 1994
Newfoundland	April 20, 1994
Prince Edward Island	May 29, 1994

NANCIE WOOD with
ANTHONY WILSON-ARMSTRONG
and JOHN HOWSE in Calgary

National Notes

A NEW PREMIER

Guthrie-Caffrey easily won the leadership of Prince Edward Island's Liberal party on the first ballot, taking over from outgoing Premier Joe Ghis. Guthrie, a 53-year-old lawyer, businessman who has represented the federal Island riding of Miramichi since 1988, faced opposition from only two fringe candidates at the leadership race. She will now become Canada's 26th woman premier. The previous Liberals held 20 of the island's 22 legislative seats.

WESTRAY DELAY

The Nova Scotia Supreme Court overruled a lower court decision and upheld the constitutionality of a provincial inquiry into the May 9 Westray coal mine explosion. But the court ruled that the inquiry cannot begin until criminal charges arising out of the tragedy (that killed 36 miners) have been dealt with. Lawyers for the mine's owners said that the ruling could delay the inquiry by up to two years.

SIXING BEHIND BARS

According to the Ontario Court of Appeal, Guy Paul Morin has a constitutional right to be released on bail pending the appeal of his murder conviction. Morin, 32, was found guilty in July of the 1984 killing of his nine-year-old daughter, Christine, during a custody battle. After the Crown successfully appealed his initial acquittal, his lawyer had argued that a section of the Criminal Code allowing convicts to be held at "sil" in the public interest while waiting appeal was unconstitutional.

CULT HORROR

The former leader of a cult near London, Ont., was sentenced to life in prison after pleading guilty to second-degree murder in the 1980 death of a 20-year-old woman. Keith Thuermer, 45, dismembered the woman while she was still alive, leaving her to die in a grave just the following day. Thuermer, who fathered 20 children with his followers, is already serving a 19-year sentence for carrying out a series of abortion or female cult members in 1988.

A MIDS HONOUR

Prime Minister Brian Mulroney appointed Milton Inzeri Evans, 42, as lieutenant governor of Manitoba. A former diplomat, a well-regarded travel contractor and president of the Miss National Council, actively supported the Clarkston constitutional accord, which was rejected by a majority of Canadians in the national referendum held last October.



Hurtig: 'We are looking out our own country under Mulroney and free trade'

New kid on the block

Mel Hurtig launches a political party

A large Canadian dog leaps outside a three-story log house overlooking the North Saskatchewan River valley in Edmonton today, as a book-based study, one of the country's most outspoken satirists is weighing his chances as an independent politician. Declaring Mel Hurtig, former president of Harper Publishers Ltd., "People are so fed up they have lost respect for their leaders—and desperately want something different," Hurtig, in fact, claims to offer just that. On Nov. 18, he announced the establishment of the National Party of Canada, a new and openly anti-liberal movement that calls for greater Canadian protectionism and the repeal of the Canada U.S. Free Trade Agreement (FTA). Says Hurtig, who was elected party leader at the founding meeting: "There are Canadians who love this country and this is a chance for them to speak up."

Hurtig, with characteristic enthusiasm, says that the response to his fledgling organization has been "explosive." He adds that the party

expects to field candidates later this year in "close to 200" of the country's 295 ridings, even though the nomination process has not yet begun and the party has yet to complete its constitution. In the months ahead, the National party's aim is clear: to attract disgruntled Liberal and non-affiliated voters—in the same way that the Reform party is trying to lure Conservatives. If it succeeds, Hurtig's group will take its place in a splintered Parliament along with Reform, the separatist Bloc Québécois and the three traditional parties. But many mainstream politicians and analysts say that the National party is nothing more than another manifestation of Hurtig's ego—and they dismiss its chances of winning a seat. Declared University of Calgary political scientist Keith Arthur: "The National party seems off to a rocky start. While the country has been so sluggish for so long, free trade proponents are the solution."

Still, Hurtig's views have struck a chord. His 1991 book *The Robbery of Canada*, which charges Prime Minister Brian Mulroney with

selling out Canada's economic interests, has sold more than 40,000 copies in hardcover and is now in its seventh printing. And Hurtig's previous Canadian publishing have left him with a vast network of influential friends that, should they back his political efforts, would help propel his party to greater prominence. Named a member of the Order of Canada in 1980, the Edmonton-born Hurtig began his career in 1958 when he opened a small Edmonton bookstore, later opening two other outlets. In 1970, he sold his retail enterprise and established Hurtig Publishers, which became Western Canada's most important publishing house. The company's major achievement was the critically acclaimed *Canadian Encyclopedia*, published in 1985. But Hurtig's last project, the five-volume *Junior Encyclopedia of Canada*, saddled the publisher with a loss of about \$1.5 million—again in 1991. He sold his firm to Toronto-based McCallum & Stewart.

Hurtig, the son of a successful Edmonton farmer, first became involved with politics in the 1972 general election when he ran unsuccessfully for the federal Liberals in Stouffville. In 1986, he founded the Council of Canadians, dedicated to the preservation of Canadian sovereignty. That organization, which now has 21,000 members, was one of the most vocal anti-separatist groups of the FTA. Not surprisingly, Canadian sovereignty is also the overriding theme of the National party's 91-page policy statement, *A New and Better Canada*, written by Hurtig. As well as calling for an end to the FTA, the party favors decreased foreign control of Canadian business, a strengthened tax system that would place a greater burden on income corporations and strong federal environmental and educational standards. "We are losing our own country under Mulroney and free trade," Hurtig angrily declares. "Neither the federal nor the provinces, not even the courts, offer a credible alternative." Even when people hate the governing Tories, the New Democrats are low in the polls," Hurtig notes. "And a majority Liberal government would not be much different from the current Tory regime."

So far, Hurtig's declarations have failed to shake members of the mainstream parties. Nelson Ross, NDP MP for Kamloops and his party's house leader, noted that Hurtig's platform is "almost a mirror image" of his policies. Said Ross: "I don't perceive that there is actually anything new about the ideas expressed in Mel Hurtig's mail and some months ago I heard of his brother, Lord Charles Caccia, MP for the Toronto riding of Don Valley, calling Hurtig "a very fine publisher of encyclopedias," but adding, "I don't see a bright future for this party." In September, Fields of course is claiming that his party has already won already secured to more than 2,000 from the 48 founding members—and that many Canadians share his concerns. He added: "The school of Canada that we set out." It is a dream all that Hurtig will continue to trumpet, he says, is the importance to consider Canadians that the National party is a viable force.

JOHN DOWSE is in Edmonton with LIZZY FORD in Ottawa

PEOPLE

'THE BANE OF OUR EXISTENCE'

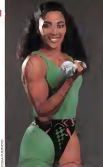
At the *Sensations* inaugural ball for JBL Clinton last week in Washington, Canadian singer Travis Goffman apparently got swept away by the spirit of change. "We've got a government in Canada which thinks Ronald Reagan is a hell of a guy," he said between songs. "We could use some of this change." After a rendition of *I Had a Real Good Time*, his 1984 protest song about U.S. involvement in Central America, Goffman, 47, added: "We never had a revolution to gain independence from Great Britain, and that's been the bane of our existence ever since."

In Irish eyes

In the hot movie *The Crying Game*, Stephen Rea stars as Fergus, an Irish Republican Army member who kidnaps a British serviceman and then suffers pangs of conscience. "In Ireland, people live with this thing," Rea told *Newsweek*. "I don't think anybody feels any problem with the issue of the story in Ireland," who acknowledges that his wife, Deborah, was a member of the IRA "a very long time ago," added: "In England, there has been a problem because the fact that Fergus is a very sensitive guy. That's not how they like to see Republicans portrayed, because it is not the front of their organization." Rea is now in Broadway co-starring with Bette Midler in another book-to-film drama: Irish playwright Frank McGuinness's *Sweeney Todd* (Holt/Gentle & Co.), and he says that he does not "want to identify too strongly" with his Crying Game character. But he added: "I wouldn't do what Fergus did—I really wouldn't—but I understand why people get into that position."



Rea (right) with *Sensations* co-star Deborah Goffman: "We live with this thing"



Joyner, training for the marathon

EASY AS SHE GOES

On the track, U.S. sprinter Florence Griffith Joyner, who won three gold medals at the 1988 Seoul Olympics, is one of the world's fastest women. But in the *Mill Hill* last week at the Chiltern Lake Ladies Golf Sports Invitational in Alberta, Joyner was decidedly slower. "I like it here more than York," said the novice skier, referring to the Colorado resort slopes. "There are more hills here for skiers like me," Joyner, 33, added that she has another change of pace on her mind: she is now training for the marathon at the 1996 Olympics in Atlanta.

SWEET TASTE OF SUCCESS

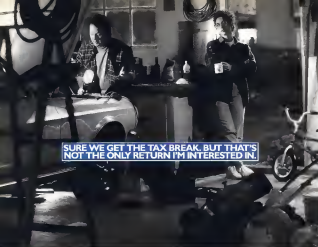
Almost only with a small business loan and a chocolate-fudge cookie recipe, Debra Fields opened a cookie store in Palo Alto, Calif., in 1987. She was just 30 at the time, with no business experience, and even her husband, Harold, bet that she could not make it a success. He has been eating his words ever since. Mrs. Fields Inc. now has more than 500 company-owned and franchised cookie stores in the United States, Canada and five other countries, as well as a string of bakeries and a line of cookie-flavored ice cream. In September, Fields of course is claiming that her company was recently named by her five daughters. "It really is the best-god business," said Fields. "When our customers come to us, they come because they want to indulge." By that criterion Fields is already one of her own better customers—the five-foot, 112-lb., 31-year-old Fields has shed 25 lb. since she launched her business. "I love cookies and I can't give them up," she said. "But I learned to cut down on buttercream."

Fields: "the food-god business"



A few words to the wise

In the 1980s, Ruth Westheimer became North America's guru of sexual good sense, clinking to celebrity status along the way. Now, the *Day* Greenwich sex therapist, 61, is a frequent guest at Hollywood gatherings, but she remains down-to-earth about her work. Asked at a *Lake Louise, Alta*, celebrity event last week to sum up her advice as one of the pearls in 1990, Westheimer replied: "I am telling everyone—the very careful."



SURE WE GET THE TAX BREAK. BUT THAT'S NOT THE ONLY RETURN I'M INTERESTED IN.

Buying an RRSP is a great way to reduce your taxes now while setting aside money for the future.

But with current low interest rates, more and more Canadians simply aren't willing to consider just any RRSP. They're realizing that the right RRSP is one that considers your investment return, not just your tax return.

At Investors Group, we think investments in your RRSPs should be absolutely right for you, an integral part of your overall investment strategy. We'll put together a plan that meets all your financial goals before we recommend the specific RRSP package that's right for you.

We've helped over half a million Canadians make the most of their RRSPs by providing the highest standard of personalized service in the industry.

And we can do the same for you.

Because we believe that if you're going to spend all that money on an RRSP, you should get a lot more than just tax savings in return.

IG Investors Group
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A SPECIAL ADVERTISING SUPPLEMENT TO THE NOVEMBER 1995 ISSUE OF MAGNET'S MAGAZINE

STANDING GUARD OVER YOUR INVESTMENTS

It's RRSP time again, and financial experts are renewing their annual refrain: you'd better plan for your future right now if you desire to any kind of comfort in your retirement.

You haven't listened to the pros before? Well, it's time to pay attention now. Income from your RRSP is your only guarantee of a reasonable lifestyle once you leave the work force. You can't count on your employer to offer you a lifetime contract, complete with a generous company pension plan for your old age. Old Age Security, Canada Pension Plan and Quebec Pension Plan provide only 30 to 40 per cent of what the average Canadian needs to retire in comfort. As Jim O'Donnell, president, Macleod Financial Corp., understates, "given the massive debt our government has accumulated, it's likely we'll see erosion of old age pensions by the time today's working population reaches retirement."

Read on for detailed tips from the experts on how to make the most of your RRSP, including an explanation of the pros and cons of the many different types of RRSPs now available.

1993's

BIG THREE QUESTIONS - AND THE ANSWERS

1 SHOULD YOU BORROW FOR YOUR RRSP?

Today financial institutions are vying for the opportunity to loan you money for your RRSP. Some institutions offer preferred best-of-the-clock or early-bid bonus interest rates, while others offer RRSP loans at prime, at any time of your sleep around.

Though you can no longer deduct the interest on an RRSP loan, it still makes sense to borrow money for your RRSP contributions as long as you can pay it back within the year. Say you borrow \$1,000 at 9 per cent to put into your RRSP; then invest the money at 7 per cent. The cost of the loan over the year would only be \$278 — which you easily offset with your \$1,300 income tax refund (assuming you're in the 40 per cent tax bracket). In exchange, you'd earn \$210 on that \$1,000 inside your RRSP, and it would continue to compound over the years.

2 SHOULD YOU PAY OFF THE MORTGAGE, OR CONTRIBUTE TO YOUR RRSP?

Compromise is the best route: put your savings into RRSPs, and then apply your tax refund to your mortgage. "You'll make mortgage payments for slightly longer," explains Paul Davis, president, Royal Trust Investment Services, "but the compounding effect of interest savings within your RRSP for those extra years has such a dramatic effect on the end value of your RRSP that it's very foolish not to make this your basic strategy."

Say you buy a house with a \$100,000 mortgage at 12 per cent, amortized over 25 years. You're in the 40 per cent tax bracket; you save \$4,000 annually, and your RRSP earns 10 per cent annually. Within 30 years, if you opt to put all your savings against your mortgage until it's paid off, you'd end up with retirement assets of \$964,291.

The alternative — to put your \$4,000 savings into your RRSP, then use your \$2,800 tax refund towards mortgage repayment — ultimately provides RRSP assets of \$1,481,483.

So do spend \$136,637 more in mortgage payments by opting for your RRSP first — but that still puts you ahead by more than \$355,000.

3 SHOULD YOU BUY A HOME WITH RRSP MONEY?

Last year, the government announced that you could borrow up to \$20,000 interest-free from your own RRSP, to buy a principal residence in Canada. As a Home Buyer Plus purchaser, you will have to repay into any RRSP you hold, at least one-fifth of the loan annually starting in December, 1995. For details on how to take advantage of this plan, contact an accountant.

"If you don't have a home and can get one at a good price by the time this deal ends," says Gordon Pope, author of Gordon Paper's 1993 Paper's Guide to RRSPs, "there's nothing wrong with using your RRSPs for this purpose. But you must understand the price won't be."

The power you are, the greater the impact of removing money from your RRSP on its future value. If you're 25, planning to retire at age 65, with an RRSP that can earn 10 per cent per year, the final value of your plan will be reduced by over \$25,000 for every \$1,000 you borrow for your home, assuming you contribute your plan according to the government's schedule.

If you're 30 years old, you only reduce the value of your plan at age 65 by about \$11,000 for every \$1,000 borrowed, because you're giving up 10 fewer years of tax-sheltered compounding.

At the complete opposite end of the age spectrum, at age 71 — the age when you have to head up your RRSP anyway — taking out \$20,000 to buy a home could

be a great way of lending your taxes until well into the next century. People who used this plan in 1992 aren't allowed to claim an RRSP deduction for the 1993 tax year for any contributions made after February 25, 1992. But you can carry forward your 1992 entitlement and use it in 1993.

WORK WITH YOUR EMPLOYER

A group RRSP can be an excellent alternative to a company pension plan. You don't have to worry about whether you're vested, and you can take your retirement plan with you wherever you go. Companies can also sometimes negotiate discounts

on company health and dental insurance for you and your family if you make your RRSP contributions from every paycheck, you're making regular contributions by deduction, which is one of the most important strategies around for maximizing your RRSP.

Some companies are even willing to match employee contributions to group plans with

contributions of their own. "It's beyond any comprehension how anybody can find a rationale for not participating in such a plan," points out Steyn.

Other companies and associations work directly with mutual funds firms to offer employees easy access to an entire funds family through payroll deduction. "Our clients, which include the Canadian Bar Association and the Ontario Nurses Association, want to provide service to their employees and value to their membership," explains Frank Scattaghi, president of Fisco Services Ltd. "We provide employees with easy access to our mutual funds through educational work place seminars, through our 800 number, or in response to reply cards that appear in their association magazine or e-newsletter."

Because your employer can get permission from the district tax office to reduce your withholding tax if so-wish, a group RRSP can enable you to enjoy your RRSP tax saving on every paycheck. If you contribute \$100 per month, for instance, your withholding tax could be reduced by

BUILT FOR A BUILDER.

\$40, which means your net take home pay will only be reduced by \$60. You could only have to pay \$60 for a \$180 RRSP contribution.

TAKE ADVANTAGE OF THE COMPETITION

Financial institutions and mutual funds companies are so eager for your business that they now offer creative financial incentives to up the volume in your RRSP contribution.

Many banks and trust companies offer bonuses of up to one-half per cent cash interest for accumulating guaranteed income RRSPs, resulting in their monthly savings plans, rewarding your business in theory, or using their products and services.

If your bank is towards mutual funds, look for lower sales commissions, load costs, management fees and trading costs. To mark, for example, gaps sales rep's an annual out-of-pocket "hidden fee," taken out of the funds management fees for sitting in your long-term units. "You pay less to go in but you pay higher management fees down the road," explains financial broker and author Gordon Pope. "What for that's worth is to you is going to depend on the fund's performance and the comparable management fees charged by other companies."

If you're knowledgeable enough, use a discount brokerage, which provides highly competitive fees for self-directed RRSPs, discounted loads for mutual funds, no addition of transaction fees for switching from one fund to another one and above normal commissions, and deep discounts on commissions.

"In the next 10 to 15 years, I believe we're going to see a real explosion in affordable insurance coverage for the masses," suggests Paul Ruse, president of Blueberry Brokerage discount investment services. This firm just started to offer an "Accident account" for customers with \$20,000-plus to invest. For an annual fee that ranges from 1.75 per cent to 2.25 per cent of managed assets, a professional money manager monitors your investments — and rebalances them quarterly — into Toronto Index Participation Units (which are equity based), a money market fund and a long-term Canada bond, based on your priorities as determined by a questionnaire. There are no additional fees or commissions, no matter how many trades are executed on your behalf.

MAKING THE BEST INVESTMENT CHOICES TODAY

The key strategy for planning retirement assets can be summed up in one word: diversity. Your RRSP portfolio should include fixed income investments, including term deposits, Guaranteed Investment Certificates (GICs), bonds and/or mortgage funds, as well as long-term and short-term growth investments (equities). After all, even the professional's advice involves in timing upcoming inflation, deflation, recessions, market swings or interest changes.

Many experts suggest that you keep your invest-

menting investments inside your RRSP, where they aren't taxed, and your growth investments, which are eligible for capital gains and dividend income, outside your RRSP, where they enjoy preferential tax treatment. That's only practical if you can afford to accumulate investments after you've maximized your RRSP contribution. But as Brian Gosselin, vice-president, RBC Dominion Securities, points out, "the key is to earn as much as possible in your RRSP, and if you think we're in a cycle where equities will outperform fixed interest rates, then why not buy equities for your RRSP?"

The younger you are, the more equity-based investments you should have in your portfolio. Equities can be more volatile than debt investments in the short term, but are a proven inflation hedge over the long term.

The older you are, the more fixed-income assets you'll want. How much fixed income is appropriate? Your age should represent the amount of fixed income in your RRSP, suggests Philip Armstrong, president of Atlantic Investment Services Inc. If you're 30 years old, for example, aim to have 30 per cent of your account in

fixed income investments and the bulk of it — 70 per cent — in growth assets.

Many experts feel you should never dominate growth investments entirely, though. Even once you retire, you have years of spending to plan for. "By age 65, we still recommend minimum 20 per cent exposure in stock funds," says Armstrong. "But life span could easily be another 30 years from that time, so you should have something in there to protect you against inflation."

Some analysts take a more conservative approach, though. "I think most individuals approaching retirement should be buying only fully guaranteed GIC-type products for their RRSP and keep their equity investments outside, and I don't make any



Brian Gosselin,
vice-president with RBC
Dominion Securities
recommends:
1. Short-term fixed interest investments, including 90-day to one-year money market funds, to provide

buying power if interest rates go higher in the next year.
2. Low-risk, short-term bonds to provide better returns later in 1992 and 1993.
3. Good-quality government, corporate or step funds. You can still get 10-year-plus bonds of attractive rates.
4. Mutual funds invested in hedge funds, to take advantage of the 10 per cent hedge contract component and also enable you to benefit from the higher interest rates in Europe. Once hedge interest rates start dropping, these funds should show good growth as well as income.
5. Good international equity funds, for the growth component of your RRSP.

THE RULES

The deadline for your 1992 RRSP contribution is March 1, 1993.

The maximum you can contribute to your RRSP for 1992 is the lesser of:

20 per cent of 1991's earned income, or
\$12,500 minus your Pension Adjustment for 1991, minus Past Service Pension Adjustments, if applicable.

The maximum you can contribute to your RRSP for 1993 is the lesser of:

20 per cent of 1992's earned income, or
\$12,500 minus your Pension Adjustment for 1992, minus Past Service Pension Adjustments, if applicable.

You are entitled to carry forward unused RRSP contributions for at least seven years.

Earned income: That Qualifies for RRSP Contributions

Net income from employment
Net rental income, less rental losses
Net business income, less net business losses
Taxable alimony and maintenance receipts, less deductible alimony and maintenance payments

Supplementary employment benefits
Net royalties

Employee profit-sharing plan allocations
Research grants, less allowable expenses
Taxable benefits from wage-loss replacement plans

Disability pensions received from CPP and QPP

DESIGNED FOR A DESIGNER.

apologizes for that," suggests Paul Delaney, a retirement income specialist who is associated with The Investment Shop. "They're trying to convince what they're going to become accumulating, and the possibility to retirement dictates not putting the RRSP funds at risk in this particular stage of life."

Age isn't the only factor you need to weigh when determining the assets that's right for you. You also need to consider your risk tolerance, your need for liquidity, your level of income, your other assets, your response to tax, as well as your personal circumstances.

Rebalance your portfolio once or twice a year to reflect the asset allocation strategy you're using for. "That will force you to do one of the toughest things for any investor: sell off assets that are doing well," says Blument's Armstrong. "If you decide you want a 30-30 mix and your stocks become more than 30 per cent of your portfolio, you have to take the emotion out of investing by capitalizing on your gains and moving the proceeds into fixed-income investments."

CANADIAN EQUITIES, EQUITY-BASED MUTUAL FUNDS

If you have the time and expertise to manage your RRSP closely, you could probably maximize your returns on equities by investing directly in a self-administered RRSP and buying 15 to 25 common stocks in a variety of market sectors. The safer way to invest in equities for most



people, though, is to spread the risk through good quality mutual funds and hang on to your investment for at least 10 years. Most companies cut average subscription deposits into one of three funds — an ideal way to buy into an equity-based mutual fund. When you continue to buy units all the way down is chosen goes from \$10 to \$5 and then all the way back up to \$10, for example, your fund will hold more shares worth \$10 for which it paid in little to \$5. Even if the market ends up where it started, you'll end up money.

FOREIGN INVESTMENTS

Top commentators consistently recommend you maximize the foreign content in your RRSP. Current tax proposals estimate you to put up to 16 per cent of post 1992 RRSP contribution into equities outside Canada, and the limits going up to 18 per cent for 1993. "Canada represents only three per cent of the world stock markets by capitalization," points out Alexander's Armstrong, "so there's a lot of other opportunities out there that any prudent investor should look at."

Investing outside Canada will also protect you if you agree with the many experts who believe that the Canadian dollar will continue to decline.

A US 5-century equity is particularly useful for someone planning to retire in the United States. "It eliminates the risk to foreign currency fluctuations that might occur 15 years down the road," says Cliff Prager, the Bank of Nova Scotia's assistant general manager, product management. "and will ultimately provide a handy US dollar income stream."

Henry Cole, vice-president, investments at Montreal Mutual Capital Inc., thinks that "quality US growth funds will provide good returns over the next five to 10 years. Because the U.S. dollar is trading at a relatively low level compared to other currencies, it's cheaper for Canadians and emerging markets to buy U.S. products, and that should benefit good-quality American companies."

If you're really bullish on offshore opportunities, consider funds that can provide you with foreign exposure even within the 100 per cent Canadian portion of your RRSP. Most financial institutions offer fully eligible international or global

funds or bond funds holding Canadian bonds issued in foreign currencies. In addition, most Canadian equity funds contain the upper allowable limit of foreign content. "It's as easy as having an RRSP portfolio with 50 per cent of your content offshore," says Royal Trust's Morris.



Paul Smith, president, Royal Trust Investment Services recommends:
1. Bond funds for income. Switch into GICs immediately if yields go up.
2. International bond funds to provide currency protection. Buy Canadian-based foreign money diversified funds, which are 100 per cent RRSP-eligible.
3. U.S. stock funds to take advantage of the predicted surge in the U.S. economy.

PRECIOUS METAL FUNDS

These specialty funds, which usually include gold, are a good hedge against inflation over the long term. "Our funds have gold representation," says Steven Edman, vice-president, corporate and public relations, Dynamic Fund Management Ltd., "because demand for gold has remained strong throughout the recession. Prices should rise."

We treat everyone individually. That's why we tailor make our RRSPs to fit you. We offer everything from up to 1% Bonus Interest to the Rate-Watcher GIC which provides the 2-year rate with 1-year flexibility. From Mutual Funds to Self-Directed RRSPs. Come to Scotiabank and get a great custom fit.

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Gordon Page, financial planner and author of *How to Invest in Canada*, including Gordon Page's 1992 *Money's Guide to RRSPs*, recommends:
1. Global bond funds. People should take advantage of their higher foreign content funds. The benefit we've witnessed over the past year shows how important it is to get some international

diversification into your RRSP. These funds offer protection against losses to the Canadian dollar as well as good capital gain potential in Western and US markets.

2. Canadian bonds or bond funds. We're not in the economy right now, which is one of the reasons I'm not in bonds. I think interest rates will continue to trend down.

3. International equity funds, preferably ones that are very selective, to give you dollar protection and international diversification in these times of currency weakness.

4. Mortgage funds, which should provide you guaranteed but still steady returns. Consider them to be good in not inhibiting any mortgage payments.

5. GICs, only if there's a temporary spread spike in rates such as we saw in the refinancing campaign. Keep about waiting for double-digit GIC rates to return. Consider eight per cent annually high and good if

RESOURCE FUNDS

If you believe that prices will eventually rise in oil and gas, paper and lumber, silver and metals, consider putting up to 15 per cent of your portfolio in one of these funds. "We think that the entire resource sector is very attractive at the moment," says Adamant's Armstrong, "especially if the Canadian dollar continues to drop, since most of these companies sell their commodities in U.S. dollars."

REAL ESTATE MUTUAL FUNDS

Although real estate too has fared badly over the past few years, when the business cycle picks up, today's glut of commercial space will generate the rental income it should. It's an excellent time to take advantage of the market's historic lows and purchase real estate funds as part of a diversified portfolio, says John Schara, senior vice-president of marketing, North American Trust's Bedford. "Quality commercial real estate today will yield in excess of 10 per cent, which is all too protected in an RRSP."

Real estate funds are evaluated according to market approach, which may not reflect the actual price that the properties would get if they were sold. They generally charge a declining backend load starting at five or six per cent. Most require at least 30 days notice before you can cash in your shares.

INTEREST-BEARING SECURITIES

Income-producing vehicles like GICs, term deposits and savings accounts, provide guaranteed interest within a fixed period of time. A delayed annuity, sold by life insurance companies, is comparable to a GIC or term deposit, and ultimately provides either a pay-out annuity or RRIF.

Over though interest rates have plunged dramatically, deposits above 75 per cent of investors still prefer the security of these investments. The truth is, today's low inflation means that the real return on long-term GICs can still be very attractive. In the days when five-year term deposits were earning 12 per cent, inflation was running at nine per cent, making their real return only three per cent. At the

time of writing, when five-year GIC rates were 7.5 per cent, inflation was running at 1.5 per cent, explains Mollard-Walwyn's Cole. "You're getting a six per cent real rate of return, which is very high."

Nonetheless, financial institutions have realized that they've had to provide additional incentives, in the form of unexpended flexibility, to keep customers.

Some of the major trust companies now offer callable GICs, for instance — "a good place to park your money temporarily," suggests Page. "and a good alternative in Canada Savings Bonds or an RRSP. They may in fact give you a higher yield than a money market fund."

Other institutions offer GICs that guarantee step-ups at interest, only withdrawn previously, automatic reinvests in the savings vehicle of your choice with a "best rate" maturity, or free reaching to a longer or shorter term vehicle.

To protect yourself against interest rate fluctuations, Robert Gluck, general manager of retirement services marketing at the Canadian Imperial Bank of Commerce, suggests you stagger the maturity date of your GICs. If you are investing \$1,500 in your RRSP this year, for example, he suggests you put \$1,500 into a one-year GIC, \$1,500 into a two-year GIC, \$1,500 into a three-year GIC, \$1,500 into a four-year GIC and the final \$1,500 into a five-year GIC. "Then, as they mature each year," he says, "always move them into five year term GICs. The five year rate generally provides the highest possible return, up to two percentage points higher than one-year returns. A portion of your funds will come due each year, which will enable you to take advantage of opportunities. Should rates go up, you're able to secure one-fifth of your portfolio. Should rates go down, you don't have to worry about knowing all your savings, and the majority of your funds are locked in at the higher rate."

Once your assets have grown large enough, you may also want diversity among interest-earning securities. A benchmark account can invest in GICs from several different issuers and provide you with one statement, suggests Mollard-Walwyn's Cole.

Only invest in institutions protected by Canada Deposit Insurance, which covers up to \$60,000 of principal and interest.

BOND FUNDS

Bond funds, which invest in corporate and government

THE RIGHT RRSP DECISION FOR TODAY'S ECONOMY.



In today's volatile economy, how you allocate your RRSP investments among stocks, bonds and the money market can have much greater impact on long-term growth than your specific investments.

According to *Fortune Magazine*, the most important determinant of investment success is asset allocation.

The problem is knowing when assets should be moved from one kind of investment to another.

THE AGF ANSWER
AGF Asset Allocation can provide the answers. The Asset Allocation com-

puter program determines how much of your RRSP should be in cash, stocks or bonds at any given time.

The computer reacts to stock market and interest rate changes by identifying repetitive historical patterns, based on where the best opportunities are for growth and preservation of capital. Your RRSP investments are moved among three basic AGF mutual funds.

PROTECTING GROWTH

AGF's aim is to protect the growth of your RRSP two ways. First, by determining what percentage of your RRSP should be in stocks, bonds or the money market. Second, by prudently investing your RRSP in the right kind of stock, bond and money market funds.

The stock component of your RRSP is invested in AGF Canadian Equity Fund. The fund provides long-term capital appreciation from blue chip, dividend-paying Canadian stocks.

The bond component of your RRSP is invested in AGF Canadian Bond Fund. The fund invests only in government issued or guaranteed bonds for a high level of security income.

The cash component of your RRSP is put into AGF Money Market Account to earn the highest possible interest income.

20 YEARS OF DATA

The AGF Asset Allocation computer program has been in place over 20 years. It has been

tracked through good and bad markets. High and low stock prices. High and low interest rates.

The advantage of AGF Asset Allocation should be considered by every prudent Canadian concerned about maximizing RRSP growth while maintaining the risk to retirement savings.

MORE INFORMATION

For more information and relevant prospectuses, talk to your stockbroker or mutual fund specialist. Or call toll free 1-800-268-8388, send the coupon or fax to 1-800-461-7710.

AGF provides a computerized Asset Allocation program for your own personal use.



This program is only for informational purposes. It is not intended to be used as a substitute for professional advice. AGF Management Limited, 200, King St. W., Toronto, Ontario, M5X 1C5.

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AGF ASSET ALLOCATION ADVANTAGE

The AGF Asset Allocation computer program is available for use in the United States and has not been modified for use in Canada, and the program assumes that contributions will be made through monthly or quarterly payments. Important information about the AGF Asset Allocation program is contained in the full prospectus of the program. Send a copy from AGF Management Limited at the address above, and read it carefully before investing. Your value and investment returns will also be

securities that mature every few years, provide fixed income, and ultimately repay the principal at maturity. The term of underlying investments is longer than money market funds but shorter than most strip coupons. However, bonds are considerably more flexible than fixed-rate GICs, because they fluctuate in value according to each day's prevailing rate of interest. So if you buy into a bond fund when interest rates are eight per cent, and interest rates then drop to seven per cent, your holdings worth more: the value of your investment has increased.

An active bond manager can take advantage of prevailing market conditions. If interest rates are steady or on the rise, for instance, the strategy is to invest in relatively short-term bonds, which are replaced with higher-yielding instruments upon maturity.

If interest rates are declining, long-term bonds provide superb returns as investors who bought bond funds over the past couple of years happily discovered.

This year, with interest rates down and more likely to rise than fall, fund managers recommend caution: "The rates of return will be mediocre over the next year or so," thinks Dynamac's Soren.

How so long, the direction of interest rates and the security of the real estate they're on. When interest rates drop, the older mortgages locked in at high rates offer considerable protection. If interest rates start rising, on the other hand, the majority of the fund's terms are actively long-term, the fund could be locked in to a disproportionate number of mortgages at yesterday's low rates. "While some expectations are realistic," suggests Dynamac's Soren. "Ask your bank or trust company representative to determine the total return you would get if interest rates went up a point, say, over the next 12 months, before you invest." Read the prospectus carefully, and make sure they're NISA-qualified as protection against defaults.

MONEY MARKET FUNDS

Because money market funds invest in short-term (usually up to 90-day) government and corporate treasury bills, they're most profitable when short-term interest rates are high. When rates start falling, the returns on money market funds drop continuously, too. "They offer you a temporary opportunity to take advantage of higher yields until the investments catch up with current rates," explains the Bank of Nova Scotia's Cliff Pragas. If you're looking for a place to park cash in the short term, money market funds could offer slightly better returns than a daily interest savings account. But you might be better off with a longer-term, income-yielding vehicle as a valuable GIC.

ASSET ALLOCATION FUNDS

These funds, a.k.a. known as balanced funds, contain a mix of equities, bonds and cash. They could be your ticket to all the diversity you need, in a single investment. You get some of the prospects for the capital gains growth associated with equities, as well as the greater safety of principal and the income stream of fixed-income funds. Look beyond the fund's track record and management to find out its investment policies, especially how the managers determine its weighting, to make sure their guidelines, comfort zones and priorities match yours. ■

This supplement was written by Toronto business writer Helen Kell.

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Steven Kiferstein, author of *RSPs 101* and also president, corporate and public relations, Dynamac Fund Management Ltd. recommends: 1. Equity. Canada is moving out of its recession, and the U.S. economy's recovering, which should benefit for

Canadian export industry. The lower Canadian dollar and low interest rates should mean higher profit margins.
2. International global bond funds, which hold bonds issued by Canadian provinces, as foreign currencies, if you're not psychologically ready to go into equities, European rates are demonstrably high by historical standards. Once rates come down to open the European economy, these funds will surge.
3. Asset allocation fund, if you want protection of stocks and bonds but don't want to manage the mix yourself or so-called hedge. Dynamac's Fund is moving towards 60 per cent equities and 40 per cent bonds. The equities are heavily weighted toward natural resource companies, which will benefit from North American resource recovery. Our bond managers are diversifying the varieties of our bonds, and intend to replace some North American exposure with European exposure using RSP-eligible securities.

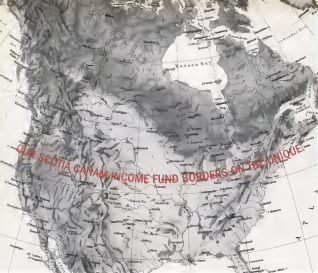
Kiferstein, "but you'll eventually benefit as the economy improves and the demand for capital picks up."

STRIP BONDS

Strip bonds lock you in to a fixed rate of return over a maximum period that can run up to 30 years. They're therefore very desirable when interest rates are high. Consider them "if we get a temporary spike in interest rates," says Pragas.

MORTGAGE FUNDS

Mortgage funds pool thousands of mortgages. How well the fund performs depends on whether the loans are



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Bills fans after back-to-back Bowl losses; excitement tinged with dissatisfaction

SPORTS

A super rivalry

Buffalo and Dallas have Super Bowl fever

In the national mythology, they stand at opposite ends of the American Dream. One is a harsh southern metropolis embroiled by larger-than-life TV stars. The other is a laid-back, blue-collar city that is often the butt of jokes. Dallas has an air of cool confidence, identifying its Cowboys as "America's team" despite a 14-year dry spell since their last trip to the Super Bowl. Buffalo's football fans bring a wild Irish festiveness to the Jan. 31 showdown in Pasadena, having watched their team lose the last two Super Bowls as spectators. Now, upstarts from the outside taking in a winner from the inside—their old and winter, the two do not seem to attract the cities are united by their love of football and were throwing themselves into a supercharged frenzy long before the big game. "Football," says Dale Hansen, sports director at WMAZ-TV in Dallas, "is just a little behind sports in importance."

If football evokes the rivalry of a national game, football provokes the clan-like ardor of passion. And the Dallas-Buffalo rivalry has the makings of a classic American duel—glamorous versus gritty. "Dallas has pretty faces while Buffalo has a lot of men, fat and ugly guys in its lineup," says Larry Cohen, a Toronto lawyer who flew to Miami to watch

the Bills beat the Dolphins for the American Football Conference title on Jan. 27. Cohen is among thousands of Canadians who celebrate Super Sunday as a near-religious holiday—relating far less devotion to Canada's Grey Cup day. In fact, the cheerleaders and fans alike, the game has become America's most profitable sports ritual. More than \$200 million in bets is legal pools alone, say Las Vegas odds-makers, who made Dallas a seven-point favorite. "It's one game that the whole country will watch," says columnist Richard Zorn, sitting through the sluggish crowd as his slow-moving Sunday at Buffalo's Auditorium. "This is a chance to get our city on the map."

With the Bills losing the unsatisfactory prospect of becoming the first team ever to lose three straight Super Bowls, excitement in Buffalo is tinged with depression. "I don't think they should allow their fans to play like this," says Bruce Younger, a sales clerk at Buffalo Impregnable, which sells Bills merchandise. "Someone wants this to be our year."

Bills fans remain buoyed by a stunning victory over the Houston Oilers in their Jan. 10 playoff game. Down a whopping 20-3 at halftime, Buffalo pulled off the greatest comeback in NFL history with a 45-36 overtime triumph that ended on a field goal by Charlie, Ont.,

native Steve Christie. More importantly, the team was with three of its stars injured: quarterback Jim Kelly, linebacker Canadian Bawer and, for the second half, running back Thurman Thomas. The Bills' achievement: 29-16 victory over the Miami Dolphins touched all Super Bowl fever. "This team has its collective head during the playoffs," says Kevin Keenan, two-point guard and center for Buffalo's Walsh High. "But this is the most dramatic we've ever seen the fans."

Meanwhile, Dallas fans were caught up in their own hysteria, which reached Texas and proprietors after their team dropped at the Philadelphia Eagles and the San Francisco 49ers to take the National Football Conference title. It was a remarkable turnaround for the Cowboys, a comeback that had declined to a dismal one-win season just four years ago. Sales of the team's jerseys shot back up to first place in the NFL from an all-time low of 15th. And the Cowboys fans were back in the middle—rising high with the league's top-rated defense and an offense led by quarterback Troy Aikman and running back Emmitt Smith. "Dallas was pretty unresponsive when they were losing," says Michael Meier, a Dallas computer technician. But the city reversed course with the game. "Football is God in Texas," says Meier. "Anybody could invade the U.S. and Dallas would still be focused on the Super Bowl."

Fans in both cities have been watching up soverflows. The Cowboys football fan has everything from blue and silver to red and white in the Dallas Cowboys' Win'N'Go and a \$1.90 starting silver helmet. There is also the ultimate aphorism: The Dallas Cowboys Sports Scout—The Scout of Victory. Bills' fans can track up on stuffed bears, jewelry and earrings, while restaurants are ignoring politicians and other local personalities have been leaving Buffalo citizens' wings against Texas club on the outcome. After last year's defeat, says Bruce Younger, manager of the Auditorium, where it was crowded with developers' Buffalo's new Cowboys wing. "I sent out hundreds of orders. Unfortunately, because of the loss, the fans lost."

But last week at least, Buffalo was not that other team's less than ideal. Nor was the Cowboys less than ideal. The Bills' fans are across the Texas border into Buffalo. For the first time, the Cowboys' fans are at a tailback and said, "Dallas" shouted the yell-slogan. "It's the Bills all the way!" Hansen smiled. "I just do not see any off," he said a passerby. "They are crazy about the Super Bowl."

DIANE BRADY in Buffalo with
JOYCE WOOD in Dallas

ATTACK DIPLOMACY

**THE NEW
PRESIDENT TALKS
TOUGH WITH IRAQ,
BUT HIS COALITION
SUPPORT MAY BE
SOFTENING**

The images were eerily familiar. In northern Iraq, hundreds of children meekly scrambled for their gas masks. In the South Arabian town of Dhahran, crews scurried to remove citizens beyond themselves for a Saudi missile attack that never came. The ominous glow of anti-aircraft fire illuminated the night skies over Baghdad, as neo-fascist American Tornado cruise missiles soared above the Iraqi capital. Last week, while the world marked the second anniversary of the start of the Persian Gulf War, the latest escalating conflict again gripped the Middle East. On each of its first three full days in office, the outgoing U.S. president, George Bush, brought American military might to bear against defiant Iraq leader Saddam Hussein in an attempt to force compliance with ceasefire conditions imposed by the United Nations and the victorious Gulf War allies. And despite Iraqi offers of a "peace-kill" truce to mark the occasion of President Bill Clinton on Jan. 20, the new U.S. commander-in-chief wasted little time in demonstrating that he was pro-president, but not pro-Iraq. "We are going to adhere to our policy," Clinton said after two U.S. fighter jets struck an Iraqi missile site on his first full day in the Oval Office.

That strike was among a series of American-led attacks on Iraq that began on Jan. 13. Pentagon officials said that in the first military engagement of Clinton's presidency, U.S. pilots fired the cruise battery in northern Iraq after concluding that its radar threatened an allied air patrol. And although the modest swiftness led to any doubts about the new administration's resolve, there were strong signs last week that the international community was growing impatient with the latest show-

Worker at Zafraaqa complex after U.S. Tornado raid: double standard?



down between Baghdad and Washington. Some critics, among the Arab League and key U.S. allies, began to question whether the United States had overstepped its bounds.

Before Clinton's inauguration, the United States struck Iraq four times, twice against its French and British aircraft. The assault, according to Iraqi officials, killed about 40 people. The most dramatic offensive was on Jan. 17 when U.S. warships in the Red Sea and the Persian Gulf unleashed 48 Tornado cruise missiles at the Zafraaqa industrial complex, 13 km southeast of Baghdad. U.S. military officials said that the complex housed computer-controlled machinery that Iraq had used in its nuclear weapons program. But the Iraqis insisted that, although US inspectors had visited the plant and sealed some of its machines, the site was used only for power, not nuclear power.

After the missile barrage, Pentagon officials confirmed that one of the Tornadoes, apparently hit by Iraqi anti-aircraft fire, had struck the ground outside Baghdad's grandest al-Rasheed Hotel. Its 1,500-ft. wing did not detonate, but the missile severely damaged the hotel on impact and left a huge crater in the rubble. Iraq authorities said that two women, one of them an alleged desk manager Azzam Tiyas, died in the crash. On each of the U.S.-led coalition, broke radio critics of the United States for overstepping its mandate with its cruise missile attack. British Prime Minister John Major, who backed U.S. military action, found growing pressure to clarify his long-term strategy towards Iraq. Even the UN legal department joined the debate, arguing that the Security Council resolution that paved the way for Britain, France and the United States to establish the no-fly zones was not enforceable.

The Iraqis continued to hold out hope that relations with the new U.S. administration might improve and vowed to respect their ceasefire—even after U.S. planes struck a second Iraqi missile battery at the northern no-fly zone in the week. But the new President made it clear that, despite the changing of the guard in Washington, a major obstacle lay before them: Saddam Hussein. "It is almost inconceivable that we can have good relations with Iraq with him there," Clinton declared. "He has given us indication that he is capable of being a reliable member of the community of nations." In that statement, at least Clinton sounded very much like the previous occupant of the White House.

At issue throughout most of the standoff was Iraq's refusal to accept two so-called no-fly zones established in the country by Britain, France

and the United States to protect rebellious Kurds in the north, and Shiites and Kurds in the south. Iraq sought to begin to violate the no-fly zones in December. And after a U.S. jet shot down an Iraqi MiG-25 fighter in the southern no-fly zone on Dec. 27, Baghdad vowed to resist any attempt to limit its flights as an assertion of national sovereignty.

But on the eve of Clinton's inauguration, the Iraqi government began to sound more conciliatory. It appealed to the incoming Democratic administration to reconsider the anti-escalation stance and the international economic sanctions imposed on Iraq after the Gulf War. But Hussein also asked the US to guarantee that Iraq would not be given sanctions that troops would not be allowed to patrol in the disputed areas. Said Tim Trevis, spokesman for the US special mission in New York City: "From our perspective it gives us what we needed—an Iraq guarantee that they didn't give us their commitments and ensure the safety of our aircraft."

But every country expressed dismay at the renewed use of force. Jordan's King Hussein accused Western powers of applying double standards by enforcing UN Security Council resolutions against Iraq while not backing up the UN body's demands that Israel restrict its more than 400 Palestinian camps it deported to a woman's land in southern Lebanon in December. And the government of Saudi Arabia stressed "the need to implement all Security Council resolutions in general—whether on the situation in the Gulf, the Palestinian cause and the issue of deportees, [and] the cause of people in Bosnia-Herzegovina."

Iran's foreign ministry statement, which criticized the United States for bombing Iraq without explicit UN approval and said that the missile assault on the site was disproportionate to the cause. France, a key member of the U.S.-led coalition, broke radio critics of the United States for overstepping its mandate with its cruise missile attack. British Prime Minister John Major, who backed U.S. military action, found growing pressure to clarify his long-term strategy towards Iraq. Even the UN legal department joined the debate, arguing that the Security Council resolution that paved the way for Britain, France and the United States to establish the no-fly zones was not enforceable.

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SCOTT STIEELE with correspondence reports

World Notes

A HOME COMING

The last squadron of Canadian CF-18 jets stationed in Europe left its base at RAF Bentwaters in England on Jan. 15. In the Gulf, the CF-18s, as part of the coalition, were down of Canada's contribution to the Gulf War. The aircraft, which has been operated by Canada for 40 years, will shut down on Feb. 10. The base will be reduced to 150 people by August. The last Canadian CF-18s will be on Jan. 31. The other Canadian military base in Germany, at nearby Laar, will close next year.

MISS WHIPPLASH RESOURCES

British police were conducting flying searches against a notorious prostitute, Lord St. Clair, who was found in Florida after going missing for nearly a week. Police spent \$150,000 searching for St. Clair, known as Miss Whiplash to her many clients, after she did not turn up for a routine check-in in Brighton, England, at which she was expected to discuss her "last life" as British spy. Her jewelry car was later found abandoned at a nearby car lot, a well-known suicide spot.

A LANDMARK VOICE

The Israeli parliament, the Knesset, voted to abolish a law barring Jewish citizens from contact with the PLO. The PLO, known as the PLO, is a major international organization by the Jewish state. Israeli analysts said that the change was a cautious step towards official dialogue with the PLO, although Prime Minister Yitzhak Rabin opposes the organization's participation in Middle East peace talks.

MANDELA AND SANCTIONS

African National Congress leader Nelson Mandela said that he was conditionally prepared to call for the lifting of all remaining sanctions against South Africa. The black nationalist leader said that he would recommend such action to the ANC's executive committee in the near future, but he would not agree to lifting South Africa's first national election by year's end.

A PLAN FOR HAITI

U.S. envoy Bruce Givens said that the world body was close to finalizing a plan to deploy human rights observers in Haiti, probably by late January, as a first step towards negotiating the reinstatement of current President Jean-Bertrand Aristide. He was overthrown by a military coup in 1991. The plan would consist of thousands of international observers to clear the way for his return to power in the Caribbean island nation.

'THINKING ABOUT TOMORROW'

WILL THE CLINTON CONTAGION CROSS THE BORDER AND CHANGE THE SHAPE OF CANADIAN POLITICS?

He appealed to the youth of America to help repair the torn social fabric of the world's most prosperous and powerful nation. He assured older Americans that their country still needs them when they are 64, or more, and "old young is great." He asked America's friends and allies to join together "to shape change, not to shape it." At his inauguration as the 42nd President of the United States on Jan. 20, Bill Clinton used the word change 13 times in his address from the west front of the Capitol building, in a speech that spanned only 16 minutes, he spoke the words cure, renew and renewal 17 times. As the 46-year-old Democrat got an ear to 12 years of government by two Republican senior citizens, Ross Perot and George Bush, the spirit of Clinton's political style was as prominently clear as the swirling smoke that he played for thousands of celebrants on a tour of inauguration balls that Washington night.

For many Americans, and others, the new President's personal substance is less clear. Before and since his election on Nov. 3, Clinton has been part liberal promise, part conservative reaction. As a result, his long-term impact on life in the United States—and in Canada, as well as the rest of the world—is as uncertain as the premier in a song that he

played at one of the 11 ceremonies that he attended with First Lady and White House policy adviser Hillary Clinton, *Four Moments (Don't Dance and Your Giddy Don't Rock It)*.

Within 48 hours of Bill Clinton's election, he has government will deliver to a different last than 20 presidents, Washington was performing to familiar old releases—an air attack on Iraq, the withdrawn after a cloud of Clinton's nominee for attorney general, Bob Bork, and a new judicial challenge to a pro-Canada ruling under the Canada-U.S. Free Trade Agreement.

Even if Clinton's emphasis on change and social renewal proves in the long run to have been more rhetorical than real, and if he persists in the steady effort to focus that market the foreign policy of his predecessors, the President's Forward Blue style ("Don't stop thinking about tomorrow"), if dated, at least carries the appeal of being fresher than anything offered on the hearings of North America for years.


Bill Clinton takes charge as the 42nd President of the United States at his oath-taking ceremony on Capitol Hill

And if that fresh message is contagious across borders, as it so often the case with American fashions, the Clinton presidency's most momentous impact on Canada will be on the Canadian federal election in 1997. By consequence, some of the Canadian party leaders seem ready to carry off a campaign that promises a lighter, more exciting



tomorrow. And the longer most immediately challenged by the Clinton example as Prime Minister Brian Mulroney who, during a three-week visit with Bush, and the investigative function that followed, delayed a decision on whether to contest the next election or stay aside as leader of the Canadian Conservatives.

As for long-term Clinton influence on Canada, analysts have accorded largely in vain far class in the record, the words and the recent Washington appointments of the former governor of Arkansas. But the silence of any lesser active interest in Canada by the new President leaves both countries with a clean slate on which to devise a fresh relationship—a case for Canadians asking not what Clinton can do for Canada, but what Canada can do for America, and itself.

A more independent foreign policy in Canada, for one thing, might provide Clinton with a modest example and advice on how to pursue what he called "bold, persistent experimentation" in the face of powerful pressures against change in establishment Washington. For eight years, with Mulroney's enduring link with Reagan and Bush, important aspects of Canadian foreign policy were effectively made in Washington. That was a sharp departure from Ottawa's long-standing policy of forging a more contemporary and independent development of a unique global role. A world outlook across broader horizons that the Ottawa-Washington axis has been further crisscross now. Canada's retreat from such UN peacekeeping missions and NATO involvement in Europe will diminish opportunities whereby thousands of Canadians were able to live and learn overseas, enriching Canada with a knowledge of life and ideas beyond North America.

In the past, Canadian governments of different partisan stripes made use of their next-door neighbor's persuasive and respected advice in foreign affairs. Clinton, in a pre-inauguration interview, defended the freedom of one citizen "to differ with the policy of my country," as he himself did during the Vietnam War. And in a move during the Inauguration Day parade that might be taken as a symbol of his readiness to keep an open mind to new approaches, when he left the presidential limousine to finish the final couple of blocks on foot, Bill Clinton veered neither left nor right, he kept carefully to the middle of the road.

CARL MCKELLEN

MR. & MRS. PRESIDENT



There was a scene of a special occasion in Washington on Inauguration Day as William Jefferson Clinton took the presidential oath of office outside the Capitol building. Afterward, one of the chosen places to be was the Canadian Embassy 10 blocks away, where architect Arthur Erickson's bold design greets Washington's Pennsylvania Avenue. Canada's is the only embassy on Unimall Boulevard that links the Capitol and the White House, and it offered officials of both countries a combined view of the Jan 20 inaugural parade. Guests at the reception, including Democratic party supreme Pamela Harriman, columnist Art Buchwald and Clinton confidant Vernon Jordan, shared a buffet lunch and the excitement of the transition to a new team with different ideas. But amid the cheering of glasses, Canadian officials quietly speculated about how the new Democratic administration would deal with sensitive issues between the two countries. However, Jordan, a co-chairman of the Clinton transition team, predicted that as the new administration took charge of the world's most powerful nation, "we are going to continue to be good neighbors. There is no doubt about that."

The relationship that riveted Washington last week, however, was that between the 42nd President and his mate at 37 years, Hillary Rodham Clinton. In contrast to a mid-campaign stage make-over that cut her as a dour, aging spouse, it became clear after the morning news pulled into the White House driveway that she will rearrange the furniture of high office in America. Clinton aides confirmed that she will play an active policy role and be a close adviser to her husband, among the reasons the nation's first event presidency. In addition to having two White House offices, including one in the West Wing where policy is decided, Hillary Clinton will be given a prime role in developing health policy. Remarkably, at the cabinet evening-audience last Friday, an official inadvertently started to announce Hillary Clinton's arrival by using the word "Vice," then quickly corrected himself.

From all indications, Clinton will need all the friendly advice he can get. In the first days of his administration, one of his important cabinet appointments looked, even as he was being challenged by events in the world. Closer to home, Clinton was forced to admit personal responsibility for letting the acquisition of his attorney general, Harland Goss, corporate lawyer Joel Bland. She stepped aside in the face of mounting congressional opposition to her admission that she and her husband, a Yale law professor, knowingly had hired illegal immigrants in their household help—breaking laws that she would be administering if confirmed as the justice (page 62).

The Clinton era began amid ruffles and

ROCK 'N' ROLL AND A POLITICAL MISCUE SET THE TONE AS BILL AND HILLARY CLINTON TAKE THEIR PLACES OF POWER

Bill Clinton on his way to retirement in Houston, Tex., the torch of power passed to new political heroines Clinton, 46, and Vice-President Al Gore, 44, are the first U.S. leadership team to have been born after the Second World War—and to be ushered into office in a rock 'n' roll atmosphere. Tossing the evening festivities of 13 official inaugural balls, Clinton played his saxophone with a star-studded array of musicians that included singer Kenny Rogers, rock 'n' roll legend Chuck Berry and Memphis Junior Kimbrough, an Arkansas singer and band leader who has lived in Canada since the late 1960s.

Reins: As the new administration took up the reins of office, some of the personalities and positions that will most influence its dealings with Canada became clearer. One of Clinton's key appointments was Robert Rubin, the head of the President's newly created National Economic Council, who is expected to play a central role in the search for U.S. economic renewal that could help in boost Canada's business (page 44). Another is Michael Kantor, the highly regarded California lawyer who, as U.S. trade representative, will help to shape policy on a number of long-simmering trade disputes with Canada (page 43). One of those issues is bags, a cross-border sore point that has been nagging as they through the dispute-resolution mechanism of the Free Trade Agreement since 1989 because of American concerns that Canada subsidizes its farmers. Last week in a routine procedural step, the commerce department filed a so-called extraordinary challenge to a previous ruling permitting the Canadian exports. The matter, which now goes to a board of three judges, was made more evident that the work of government goes on, even as the nation is distracted by the celebration of change.

Foreign-policy experts in Washington predicted that, at least initially, relations between Ottawa and the Clinton government were likely to seem relatively distant, after the close links that existed between Bush and Prime Minister Brian Mulroney. But Clinton's new ambassador, Gens Jaffe de Chastelain, in Washington to lead the embassy's inauguration party and to present his credentials, was upbeat (page 45). "I don't see anything in what Clinton said and his so to be worried about," de Chastelain told *Maclean's*. "I think Clinton seems looking forward in terms of a North American context. I don't see it as being America only."

Insiders said that, apart from his plan to meet Mulroney before his term to 115 Canadian issues in the coming weeks, or even months, Mulroney spoke to Clinton on the telephone three times (twice) the New 2 election and the inauguration. *Staff External Affairs Minister*



The Clintons walk through Washington after an inauguration from White House offices for the new First Lady

Barbara McDougall: "I think we're in the process of building up a position in local credit areas." And at Ottawa, senior officials expressed confidence that the same relations that Canada has enjoyed with its superpower neighbor would continue (page 46).

Despite the evidence of politics in exile, many Americans said that their political loyalties were divided between Clinton and Bush. "It means a fresh beginning," said Carol Townsend, a 51-year-old career consultant from Arlington, Va., who attended the pre-presidential events in a spirit of cynicism. Said Townsend: "The 1990s and the civil rights movement brought different people together, and that may come alive again."

Hopes for Clinton's promised political renewal were not many, even placed as much as the new First Lady as in her husband. Hillary Clinton is expected to attend cabinet meetings and, from her second-floor office in the West Wing, is expected to help draft a plan to reform the U.S. health-care system, a priority that President Clinton has established for his first 100 days in office. Hillary Clinton is prevented by regulations from earning a White House salary. Like the President, she is a Yale law school graduate who became an influential Little Rock attorney. The \$166,000 salary was far higher than her husband's, and she was a close adviser during his 12 years as the \$35,000-a-year Arkansas governor. But in the late stages of the 1992 presidential campaign, Hillary Clinton's handlers, responding to criticism from traditionalists, portrayed her as a cookie-cake-making career counselor at childcare issues alone. Last week it became clear at Washington that she really is closer to the pitch that she made in the early days of the campaign when she declared, "Men for us, get out of here."

Origins While the Maloney government worked to build bridges to the new administration, the traditional cross-border friendship was clearly at odds during the inauguration festivities. During the inauguration parade, the staff in the Canadian Embassy dropped a 15-foot-high banner from the foot of the building that said, in English and French: "Canadian Salute President Clinton and VP Gore." When the location carrying the Clinton parade the embassy on its way from the Capitol building to "Thanks, Canada," later, Clinton's advisers Bruce Goodrich and K.J. Long were among the performers at post-inaugural parties.

Inevitably, however, animosity in Canada-U.S. trade will shift Washington's attention to the north. With bilateral commerce that is worth about \$200 billion annually, the two nations are each other's largest trading partners. Through the first 11 months of 1992, Canada exported a \$1.5-billion surplus in trade with the United States. In addition to the increasing job dispute, the two countries are currently enmeshed in long-standing disagreement over the export of Canadian softwood lumber and duties when in the United States. In all three cases, Washington contends that Canadian government policies amount to subsidies, which allow Canadian exporters to undercut their American competitors. Another contentious issue has grown out of Ontario government group policies that have skewed American business efforts to promote the lucrative Ontario market. As well, Washington has threatened to

impose a 25-percent surcharge on Canadian steel exports, which they claim are being dumped on the U.S. market.

But whether the border problem could become as serious as the Clinton administration struggles to negotiate the U.S. economy, Carleton University political scientist Paul Brune said a statement by Kantor in which the new trade representative said that he would be paying close attention to any countries maintaining surpluses in their trade with the United States. Said Brune: "When that gets noticed, as it inevitably will, it could pose problems." But other Canadian specialists in relations with Washington raised no similar alarms. Laurence Berez, for one, director of the Washington-based Council on Inter-American Affairs, said that at the moment there is no reason to be concerned about the administration's impact on the relationship. "I don't see that the change in administration will have concrete implications for Canada."

Predict On a more positive note, the new vice-president's background suggests that Clinton could quickly have better relations with Washington on at least one issue, the environment. As a Tennessee senator, Gore was a strong advocate of environmental causes and sharply criticized the Bush administration for withholding support from several of the key initiatives taken during the Earth Summit in Rio de Janeiro, Brazil, last June. Maurice Strong, the Canadian environmental and businessman who organized that conference and now is chairman of the Toronto-based power utility Ontario Hydro, said that the Clinton administration could prove to be "the most hopeful and promising thing that has happened since Bush."

But as the Clinton team arrived in last week, speculation in Ottawa centered on whether Clinton and Canada's prime minister could build a strong relationship. In the past, relations between the two nations' leaders have been warm. While tonight's history existed during the 1980s between John Diefenbaker and John Kennedy, Maloney built unusually warm relationships with Ronald Reagan and Bush. The departing president gave Maloney access to the new administration by inviting him to the presidential retreat at Camp David, Md., during Bush's last weekend there. Maloney was one of Clinton's senior associates who were also Bush's guests, including secretary of state-designate Warren Christopher.

Throughout inaugural week, Clinton displayed remarkable energy. In the days leading up to his swearing-in, he hosted several personal and governmental luncheons, including the house of the Declaration of Independence, and the grave of his fallen hero, John Kennedy. After playing saxophone into the night at the inaugural balls, the new President also hosted the next day with about 2,000 visitors who flocked to the White House to meet him.

Although Clinton was charming and political skills as well as the presidency, some political observers say that he has yet to win the hearts of Americans. "I don't think that Ameri-



cans are particularly passionate about Clinton," said Berez. "He hasn't inspired that in them, at least not yet. What we have here is a guy who with lots of energy, who is restless, but is loyal to his team, who has kept every friend he has made since he was a kid." Berez added that Clinton has won over some influential Americans who were impressed by his performance on policy matters. Berez noted that just in Ronald Reagan was "seen as the president who knew nothing about the presidency and the country, Clinton is seen as the one who knows everything."

Criticism Some experts predicted that Clinton will have to move strongly at some critical areas where he has had little experience as the past foreign affairs. "I don't see Clinton being just a character in the past foreign affairs," said Kurt Wernke, a senior fellow in governmental studies at Washington's Brookings Institution. "Incoming presidents traditionally start out playing in their weaknesses. Clinton is seen as weak on foreign policy, so he will likely work at overcoming that image."

Nevertheless, the challenge facing Clinton will be to make quick headway on a three-pronged front: the budget deficit, job creation and health care. But even before his inauguration, he acknowledged that the middle-class tax cut he pledged during the campaign would have to be postponed be-

cause of a projected increase in the budget deficit. Once in office, though, he quickly moved on one other front, making good on a campaign promise to lift restrictions on abortion causing long at federally funded clinics, and on fetal-tissue research. "Our vision should be of an America where abortion is safe and legal, but rare," Clinton said in signing the order in the White House Executive Room.

The new President also made his mark quickly on the local scene. A downtowner named staff Rick Wile's, borrowing the nickname that Clinton earned during his tenure as Arkansas governor. Opponents said the move to suggest that Clinton's energetic, youthful spirit was a thin veneer protecting a manipulative politician. But in Washington last week, the words had begun to sound like a tribute to Clinton's ability to think on his feet and handle difficult situations. For the true heart, many Americans seemed confident that Clinton and his team could bring about the change that he and his supporters have called for throughout his campaign. For now, it seems, Americans have missed their love in the presence of Bill Clinton, and all that remained was for the new President to make good on them.



JAMES BRADON with RILEY MACKEZZIE in Washington



A President performs with Michael Jackson and Chuck Berry fireworks at the capital's rhododendrons

'I'M SORRY ABOUT THIS'

A NEW PRESIDENT MAKES HIS FIRST MISTAKE

Only a year ago, Gov. Bill Clinton was trying to push a non-partisan political lawsuit as the Arkansas state attorney general in a highly tense legislative. Last week, only two days after being sworn in as the 42nd President of the United States, Clinton may well have felt some nostalgia for the new familiarity of down-home politics. In the midst of confirmation hearings before an increasingly skeptical Senate Judiciary Committee, Bill suddenly withdrew as Clinton's attorney for attorney general. The reason: meeting public and political leaders to hear candidly, set off by the Jan. 13 disclosure that she knowingly had two illegal aliens from Peru as domestic help. For several days, a succession of conflicting headlines by rivalled White House spokesmen failed to establish whether Clinton had been aware of Bush's actions when he nominated her. But in the end, the President supplied the answer himself and took full responsibility for his administration's first misstep. He said he knew when he nominated Bush that she had broken the law, adding that he probably should have given the matter more thought. Said Clinton: "I'm sorry about this."

The controversy surrounding the fictional 40-year-old Bush, a \$600,000-a-year state prosecutor in and a general counsel for the Anti-Life and Causality insurance company of Hartford, Conn., demonstrated the fact that in politics, surprises are bigger news than substance. In a letter, numerous newspaper editors, Bush's decline and left-handed court paper and TV networks. The episode raised doubts about Clinton's judgment and focused renewed attention on his reported pledge during the presidential election campaign to lift illegal aliens out of the country.

Clinton's first move after being sworn in was to fire Bush, after Bush had registered in the face of a surgically aggressive public opinion poll and hundreds of protesting phone calls to congressmen. Clinton spoke up. During a news conference in the Roosevelt Room of the White House, he said that Bush's nomination was a mistake. "He retroactively, what I thought was a mistake in the way I was proceeding of trying to bring a suit against Clinton was disallowed for raising cabinet members. I felt before she was nominated but after I had discussed the appointment with her, I was told that the matter [during the legal issues] had been resolved," Clinton said. "He retroactively, what I thought was a mistake in the way I was proceeding of trying to bring a suit against Clinton was disallowed for raising cabinet members. I felt before she was nominated but after I had discussed the appointment with her, I was told that the matter [during the legal issues] had been resolved," Clinton said.

After analysis said that the whole affair was largely a result of two factors: the previous Clinton created for himself by trying to pick his cabinet quickly, and the failure of the President and those around him to accurately gauge the



Bush raising doubts about his judgment

desire on Clinton. Says the House of Representatives, a spokesman Washington think-tank, and that by most accounts Bush had been considered throughout. Added Bush: "She told the transition team that she had broken the law. The transition team probably said, 'OK, so what?' and that it was not important." But although Bush's office "isn't like a nuclear armory and is something that is widely done and existed as it was," he said. "For the chief law enforcement officer it is not all right, and for Bill Clinton to know about it and still appoint her is a shocking example of political insensitivity. Now he has to come forth with a very good explanation and show all that will be behind him."

Other analysis said that the whole affair was largely a result of two factors: the previous Clinton created for himself by trying to pick his cabinet quickly, and the failure of the President and those around him to accurately gauge the

impact that Bush's actions would have on Americans struggling to pay for legal child care. Georgetown University law professor Paul Bailett said that "Bush's withdrawal doesn't say anything about or grant about Clinton's methods of operating. It says that he or someone in the transition made a mistake in overlooking the importance of the issue. It is probably just a function of the fact that he is overwhelmed—making the transition and taking over the presidency." Still, Bailett said, "It does remind Bill Clinton that he is in with great control on the high ethical implications of his administration." As well, the incident seemed certain to ignite a nationwide debate about the broad means of day care and the need for changes in immigration policies and procedures.

Good: At the same time, there was speculation about the role that Secretary of State Warren Christopher may have played. Patricia King, a colleague of Bailett's at Georgetown, said that Bush had been highly recommended by Christopher, but noted when they worked together a decade ago for the highly regarded Los Angeles law firm of O'Melveny & Myers. This recommendation, together with the transition team's failure to assess the consequences of appointing it, is what got Clinton in trouble, King said. She added: "The message that I take from the election is that the country is fed up with those of us in Washington who are being by different sides. The transition team just got it right."

Washington lawyer Stuart Eizenstat, domestic policy adviser to president Jimmy Carter, said that Bush's resignation "is a positive move that so-called law enforcement officials would have been very happy to see. The transition team just got it right."

By CORNELIA VAN ALBERT MAGGIORINI
in Washington



Kantor at Senate confirmation hearings—tensions about baseball and the law

'THE WORLD'S WORST LOSER'

MICKEY KANTOR TAKES ON TRADE

U.S. called the Senate confirmed him in Bill Clinton's top trade negotiator last week, Mickey (Mickey) Kantor's life resembled in some respects the growing, high-stakes world of his TV's *Law Firm*. From a small office in West Los Angeles, Kantor dispensed highly regarded and expensive advice to clients ranging from grocery restaurants to Democratic politicians and \$20-billion-a-year global pharmaceutical.

When Los Angeles Mayor Tom Bradley, head of the city's largest union, was elected in 1986, he turned to Kantor for help. When changes of national leadership threatened Bill Clinton's political hopes, the presidential nominee turned to Kantor as well. Later, he became Clinton's cabinet member. What the slight, 53-year-old lawyer brought in all of his clients, in addition to legal skills, is attitude: "I can't stand to lose," he said once. "I am the worst loser in the world. I get mad."

In his new role, Kantor's competitive drive may cost him more than his mastery of statistics. Kantor now takes charge of America's position in a series of disputes with its trading partners, including Canada. U.S. firms that Canada unfairly subsidizes long farmers and Ontario's attempt to protect domestically brewed beer from U.S. competitors are now somewhere in Kan-

tor's in-hand. But other issues dominate his to-do list. Among the most urgent, putting a Democratic stamp on the proposed North American Free Trade Agreement as the form of industry clauses to protect workers and the environment, leading off a development trade war with Europe, and trying open Japan's protected marketplace to U.S. products. Acknowledging Kantor with a very wide last week: "We have a very large agenda."

Kantor is an originalist to a better part. Since leaving Wakefield University in Nashville, in his native Tennessee, Kantor has applied to various significant roles in law, politics and public service. As a young lawyer during the late 1960s, his first job was running a legal program in Florida. There during the presidential election campaign of 1972, Kantor worked for George McGovern's Democratic running mate, Sargent Shriver.

Political: Among his Democratic friends, the causes that Kantor represented sometimes raised eyebrows. They included Beverly Hills restaurants seeking exemption from no-smoking regulations. He represented Occidental Petroleum when the firm despite protests from environmentalists, applied to drill for oil off the California coast in 1988. At the same time, Kantor maintained his political connect-

ment. He served as California state chairman in Walter Mondale's 1984 campaign for the presidency. He also worked for former California governor Jerry Brown when Brown ran successfully for the Senate in 1982 and again when he sought the Democratic presidential nomination last year. For his part, Bradley called on Kantor for advice, as well as personal advice, naming him to a commission that investigated the Los Angeles Police Department after the 1992 riot. Heady was the commission's chairman was another city lawyer, Warren Christopher, now Clinton's secretary of state.

Kantor's life has been marked by patchy personal losses. In 1978, his first wife was killed in a San Diego airplane crash. Six years later, Kantor married his present wife, Heidi Schulman, a former NBC news correspondent. Then, in 1988, Kantor's teenage son was killed in an automobile accident. According to friends, Kantor is devoted to his family and often spends hours with his son on the way so that he can help his 10-year-old daughter, Lisa, with her homework.

Strategic: Like many others in the new President's inner circle, Kantor made his connection to the Clinton through Bradley. During the late 1970s, when Kantor was working in the White House, Hillary Clinton and Kantor served on the board of a federal agency that manages legal aid for the poor. Shared political views developed into a close personal friendship with the Clintons. And last February, when attempts of a federal embargo threatened to engulf Clinton's New Hampshire primary race, it was Kantor, already a key campaign strategist, who convinced the candidate and his wife to appear on television to counter the charges.

Colleagues say that Kantor brings experience analogous to his new role. Central among them, clearly, is the confidence of the new President. Kantor is important as having Clinton's ear is Kantor's willingness to communicate well-known facts. Los Angeles Deputy Mayor Mark Walters, who has worked frequently with Kantor, says that when Kantor offers his views, "He will tell you exactly what he thinks, whether it's for or against what he's saying."

For all of Kantor's strengths, some critics say he has some circles pointed out that the new trade negotiator lacks direct experience in international trade. But even that handicap seemed unlikely to hinder Kantor for long from his focus on winning. His formidable ability to concentrate is well known among colleagues, inside the office and out. "It's like a baseball player," says Walters, who has played with Kantor at the lawyer's Los Angeles home. And, Walters adds, "He is quite intense, whether you're playing basketball with him or negotiating a legal point." That should serve as a warning to Kantor's counterparts in Ottawa and other nations that Kantor has performance. The new trade negotiator will almost certainly be a tough rival in the international trading arena.

CORNELIA VAN ALBERT

MINDING THE STORE

CLINTON INSTALLS A QUIET WATCHDOG

What do you have a week to go before Bill Clinton's inauguration, a group of his senior advisers gathered in the dining room of the Arkansas governor's mansion in Little Rock. Among those present were several cabinet nominees. Their task was to wend through a thicket of competing economic proposals in search of policy choices with enough promise to present to the new president. Leading the discussion was a muffled, quiet man, who directed the debate with understated authority: neither a cabinet member nor a major figure from Clinton's political team. Robert Rubin, as head of the newly created National Economic Council, may prove to be a powerful figure as the new administration. Outside the upper echelons of New York City society, the 54-year-old investment banker is unknown to most Americans. One New Yorker who worked with Rubin, Michael Schlein, a chief of staff in the office of the city's Mayor David Dinkins, said "He came from a Jewish family, and he was a really good person. He was a really good person. He was a really good person."

The council that Rubin will head is a creation of the Clinton administration, and its role and influence is far from certain to be defined. Announcing the new agency, Clinton offered competitors to the National Security Council, which advises the president on defense, foreign and military policies relating to national security. Making sense of Rubin's council, in fact, are likely to come closer than the president in Little Rock. The council's members include Treasury Secretary Lloyd Bentsen, Labor Secretary, chief of the office of management and budget, and Commerce Secretary Ronald Brown. As day-to-day chairman, Rubin's role will be to serve partly as a confidant among the other members' competing political agendas. But he has passion and vision. Clinton (who often will be seen the President in the White House) will give him the power to act as gatekeeper to the Oval Office on economic issues.

Inside: The economic director is a well-known man whose influence in fact has carried him from modest beginnings in Brooklyn to the summit of Wall Street's financial district. After graduating with honors from Harvard University, Rubin earned a law degree from Yale in 1964. He received his diploma in the same class



Rubin: when he does speak up, 'you'd best listen'

as two future contenders for the Democratic presidential nomination, Edmund (Jerry) Brown and Gary Hart.

Rubin was turned to the world of finance after briefly practicing law, he joined Goldman, Sachs & Co., a major Wall Street investment house. Then, he rose in the course of a 16-year career to become co-chairman, leading the firm to a \$1.6-billion profit in 1990, the highest on Wall Street. Although not formally trained as an economist, Rubin has firsthand experience of how the financial markets' motivations function. At Goldman, Sachs he was at different times in charge of various company activities, including stock and bond trading, the buying and selling of foreign currencies and high-level investments in Russia and Latin America.

Rubin is personally wealthy. His holdings in Goldman, Sachs alone are estimated to be worth somewhere between \$50 million and \$100 million. He owns a weekend retreat in New York state's infamous Westchester County as well as a luxurious Park Avenue apartment in downtown Manhattan. And he is reportedly well connected. Rubin's wife, Judith, is Goldman's chief of protocol, and the couple is active in the city's arts community. As well, Goldman's international involvement has provided Rubin with a network of high-level foreign contacts.

Beyond his own influential circles, Rubin makes a point of maintaining privacy. He does not grant too often the sort of interviews with the media. Declared Schlein, "There are people who are there when the cameras go on, and people who are there when the cameras are not. Bob is definitely the latter."

Background: Nevertheless, Rubin's discreet influence is very much apparent as New York Democratic politics. He has been a major financial supporter of the party, contributing \$200,000 during the past two years to various Democratic organizations. Along with Mayor Dinkins, Rubin was instrumental in persuading the party to hold last year's presidential election during a convention in New York—and this helped to raise more than \$2.5 million to assist the successful event. He was among Bill Clinton's earliest financial supporters, and during the campaign helped prepare the candidate for the crucial personal debates.

Clinton's new casting on Rubin to help him keep the president and cabinet confident and eager to the U.S. economy. Some skeptical analysts have questioned whether Rubin's Wall Street background is adequate training for the most important economic policy duties that he will be expected to fulfill. Others predict that the substantial political edge gained around Rubin's council chamber will inevitably lead to conflict. But Rubin's colleagues say that his style compensates him to deal with the problems that he is about to confront. Despite his sunny disposition, colleagues who have watched him in action say that he is at ease with powerful personalities. Said Schlein, "He doesn't speak just to be heard. But what he does speak up about, you'd best listen to." As he sets out to rebuild America's economy, President Bill Clinton will be listening.

CHRIS WOOD in Dallas

ROOFTOP DIPLOMACY

GUESTS ARE DAZZLED BY AN EMBASSY VIEW

In early January, when Prime Minister Jean Charest of Quebec, the chief of Canada's defense staff, would be Canada's new ambassador in Washington, the appointment caused a stir among embassy staff members. According to one, some of his colleagues had visions of an indefatigable military man leading his new staff with clipboards and a wooden gavel. The impression that de Charestian made during a four-day visit to Washington last week could not have been more different. During an hour-long meeting with senior members of the embassy staff, said an embassy official, de Charestian handled the issues impressively and came across as "cool, collected and sharp-witted." These qualities should serve de Charestian well in his new role at a time when Ottawa is intent on building a strong relationship with President Bill Clinton.

De Charestian, who began his new duties as ambassador to the outgoing ambassador, Derek Bursey, in February, arrived in the U.S. capital at an opportune moment. The Canadian Embassy on Pennsylvania Avenue provided one of the finest views possible in the city for viewing the inaugural parade. As a result, U.S. senators, senior Democrats and other Washington notables attended an inauguration Day reception at which de Charestian hosted as host. The office provided de Charestian with a valuable introduction to Washington power brokers. Says an embassy official, "Hosting a party that attracts the attention of Washington has carved months of work off de Charestian's job."

In addition to making new contacts at the party, the 55-year-old de Charestian spent some of his time in Washington with old military acquaintances, including Gen. Colin Powell, chief of the U.S. joint chiefs of staff. They both attended a Jan. 18 meeting with outgoing president George Bush at Camp David, Md. De Charestian told *Manhattan* that he was not overly concerned by politicians, but the Clinton administration has to be told the U.S. economy with tough protectionist policies. Declared de Charestian, "We have everything to gain from being cooperative ourselves and by demonstrating to the United States that it is in



De Charestian at the Canadian Embassy: access to the A-List on Inauguration Day

their interests that we be strong in well."

According to Ottawa sources, Maloney was a quagmire in early January over a replacement for Bursey. Then, as he was about to begin a Florida vacation, Maloney received a letter de Charestian had sent in November earlier as a reminder that he has as chief of defense staff would expire in August. Said a senior Maloney aide, "It hit the Prime Minister like a bolt of lightning. There was someone who had not a word about leaving Ottawa."

Tough: According to the aide, Maloney was impressed with the military commander's measured handling of the armed standoff between soldiers and Mohawks at Oka, Que., in 1990, and Canadian participation in the 1991 Gulf War. In Maloney's opinion said the aide, de Charestian "is incredibly competent and has the force of character that allows him to move and work quickly." The career soldier, whose rapid rise through the military made legends when he joined the Canadian Army in Calgary in 1965, made his domestic quickly. Maloney offered him the job at 4 p.m. on Jan. 4, called back at 9:30 p.m. from Florida for an answer. De Charestian accepted.

De Charestian has a reputation in military circles of being a seasoned but inexperienced

professional. He graduated over Canada's military at a time of severe budget cuts. Respected internationally as commander of Canada's peacekeeping forces, de Charestian has made a favorable impression among figures in the U.S. military establishment. Said Powell of his fellow general, "He is not only a great friend, but a tremendous officer who will serve the Canadian people with skill and discretion."

In his new job, de Charestian will try to give the attention of officials in a newly activated government who do not attach a high priority to Canadian affairs. As Bursey had reported an embassy briefing last December, "This is not a traditional diplomat's job. You don't sit at your desk awaiting urgent telephone for obscure desk officers to read." Canadian ambassadors in Washington can lobby Congress and effectively pressure Canadian interests, as Bursey did over the issue of acid rain. Putting Canada's case forward in Washington, said de Charestian, is "like Chinese water torture—of you being repeating the message, year after year, to get it after a while. That is what I am going to do."

E. KATE FELDON in Ottawa with
HELEN MACKENZIE in Washington

GETTING ACQUAINTED

OTTAWA BRACES FOR A NEW U.S. TEAM

In their Calgary home, James Waugh and Christine Piverton proudly display a 1986 photograph of themselves with a man who even they had been a friend of the named couple for more than a decade: then-Arkansas governor Bill Clinton. They first met during the late 1960s when Waugh, a McGill University graduate, was a Rhodes Scholar classmate of Clinton's at England's Oxford University. President, an Arkansas native and Waugh's girlfriend, was an English attending Literature University. Piverton, a Rhodes Scholar classmate of Clinton's at England's Oxford University, President, an Arkansas native and Waugh's girlfriend, was an English attending Literature University. Piverton, a Rhodes Scholar classmate of Clinton's at England's Oxford University, President, an Arkansas native and Waugh's girlfriend, was an English attending Literature University.

U.S. relations are new faces largely unfamiliar with Canadian politics, and politicians. They include Clinton, who has made only two brief visits to Canada. Although observers on both sides said that there is likely to be little outward change in the traditionally warm relationship between the governments of the two



Maloney greeting Jordan and his wife, Ann, in Ottawa: contrasts

Empire. That easy, informal relationship with Clinton is one that many would envy but only a small number of people in any country can claim.

Waugh and Piverton's ties with the now President are country those of Prince Michael of Maloney, who has spoken with Clinton three times on the telephone, but had not met with him in person by inauguration day.

In fact, Maloney has planned several steps to correct that situation. Clinton, who telephoned Maloney twice over the months while the Prince Minister was on vacation in Florida, told him then that he planned to dole out the long-standing tradition of making Ottawa the first foreign stop of a newly elected American president. But even before a date is set for that visit, adds to the Prince Minister's joy, Maloney hopes to go to Washington to see Clinton with Feb. 16 the most likely date.

For the near future, at least, many say figures in Washington who oversee Canada-

relations, it will take time and effort to kindle the personal affection that characterized relations between Maloney and outgoing President George Bush.

One way Maloney hopes to achieve that is by building on several Democratic party contacts that he has cultivated during the past decade. Among them: Vernon Jordan, the head of Clinton's transition team; U.S. Senator Lloyd Bentsen, now Clinton's treasury secretary; and the Senate majority leader, Mike Mansfield. George Mitchell, all three men have had dinner with Maloney in Ottawa.

Maloney's closest and most important contact among senior Democrats is clearly Maine Governor Edward Kennedy. The two politicians have formed close friendship based in part on their shared Irish roots. They talk

frequently by telephone and see each other socially. When Maloney spoke at the Kennedy School of Government in Cambridge, Mass., last December, Kennedy and his wife, Victoria, joined by Maloney and his wife, Ann, at the Prince Minister's hotel, dined with them after the Prime Minister's speech, and drove them home at the end of the evening. Before Maloney's speech, Kennedy started observers by making an effusive speech of tribute in which he said that Maloney "is the kind of politician my late brother John had in mind when he wrote *Profiles in Courage*."

At the same time, the arrival of a new administration in Washington means a turnover of key officials in all areas—including the state department, which oversees most ties with Canada. Within the past month, the two key figures in the department overseeing Canadian-American relations have both changed. One, Robert Potts, the deputy assistant secretary of state for Canada, has not yet been replaced. The other, Thomas Nick, a former ambassador to Canada, was replaced as assistant secretary for European and Canadian affairs last week by Stephen Otten, a political appointee who was in several recent postings and came abroad as an aide to the new secretary of state, Warren Christopher. Another, more visible change is within Ottawa, where the American ambassador, Peter Taylor—a close friend of Bush—has resigned and will leave his post on Feb. 16. His last week, no replacement has been named.

Shifts. These changes coincided with the appointment of a new Canadian ambassador, Gen. John de Chastelain, in Washington, appear certain to result in more subtle shifts in relations between the two governments. But Maloney also noted that the Prime Minister is in a

more comfortable position in terms of Canada's U.S. relations than he has been since 1984, when he came to office at a time when relationships between the two countries were cool. Said Mark Carstairs, Maloney's press secretary: "The Prime Minister starts off knowing many more people in this new administration than he did in his first dealings with Reagan's government." Added Crawford: "The Prime Minister and President are quite similar personally—on over time, they should get along famously." Still, with Maloney now dwelling on his own political future, two issues remain unresolved: how long Maloney will have to deal with the new President—and whether the President will soon be dealing with a new prime minister.

ANTHONY WILSON-SMITH in Ottawa

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A FRIEND IN NEED

Just before 9 a.m. on Jan. 21, Statistics Canada in Ottawa formally declared that the economic recession was over.

But neither that announcement nor any real economic recovery came soon enough for Royal Trust. Indeed, just one day earlier, Royal Trustco Ltd., the holding company that owns the venerable trust company, announced that it was putting itself up for sale. The announcement is just the latest in a long series of disturbing developments for shareholders of the troubled company. But so news of Royal Trust's need for a cash infusion heightens concerns about the company's fate, the possibility that anxious depositors might join the ranks of shareholders threatened to sue the company's problems. Robert Guttman, a 60-year-old Royal Trust client who says that he has more than the government-insured limit of \$60,000 on deposit with the trust company, vaulted his driveway Toronto branch the day after the announcement. "I'm getting a little bit worried, but I can't see things going under," said Guttman. "I don't think it is time to panic yet." Still, Guttman, like several other customers, said that he is now wary about making any new deposits with Royal Trust.

Royal Trust's financial difficulties have grown steadily since 1986, when problems with loans at the company's recently acquired operations in the United Kingdom and the United States first began to appear. At the recession, which began in the United Kingdom, deepened and spread around the world, the company's problems grew steadily worse. For the first six months of 1992, it reported a net loss of \$227 million, and last week it announced that it will set aside even more reserves against the possibility of more loans going sour and will report an even greater, although unspecified, loss for the year. At the same time, however, the company said that it is hoping to arrange a "strategic alliance" with another financial institution by the end of February. The announcement was the first indication that the company's major shareholder, Telfer Financial Corp., a holding company controlled by Peter and Edward Broadman's Silver Enterprises Ltd., is prepared to sell all or part of its 50-per-cent stake. Royal Trust's president, James Miller, who took over the job six weeks ago,

ROYAL TRUST NEEDS A PARTNER WITH LOTS OF CASH AND A TASTE FOR RISK. CANDIDATES ARE RELUCTANT.

acknowledges that the announcement is contributing to the mood of uncertainty surrounding the company. But Miller added, "We believe that this is the right time to enter into this kind of arrangement."

Financial analysts expressed skepticism, however, that the most likely buyers, Canada's major banks, will be willing to buy a stake in the trust company. Instead, they said that potential buyers will probably be approached only in part by the company, including the \$150-billion trust business and its fast-growing fleet of mutual funds. That investment leaves a critical gap between Royal Trust's stated desire to find a partner and the reluctance of many of the major financial institutions to buy into a company that could contain whatever financial risks. The risks are twofold. First, even though the books will be opened for potential buyers, it is very difficult for outside buyers to be absolutely certain that there are no serious problems hidden amongst the billions of dollars of loans. And there is the danger that the other key asset of a company, depositors, will become worried about the safety of the institution and pull their money out. "The basic value in Royal Trust is public confidence," said one banking analyst, who spoke on condition of anonymity. "If you have confusing confusion and skepticism, obviously the confidence level will continue to erode and the situation will get worse."

The Royal Trust name, however, will almost certainly remain. Royal Trust, founded in 1868 and Canada's second-largest trust company with assets of \$17 billion, is, in the words of one



analyst, "the pressure" company in the trust business in Canada. Its name has represented safety and security for millions of Canadians who have entrusted it with their money and assets. Despite serious losses from 18-month operations in Britain and the United States, analysts say that the company's core Canadian operations, with the exception of some real estate loans, appear to be sound, based on the latest numbers available. As a result, Miller says that an information room that the company has set up at its head office to make volumes of financial data available to potential buyers has been under heavy use.

For the moment, however, the Royal Bank of Canada, the country's largest bank with assets of \$128 billion, is the only institution to acknowledge publicly that it is in preliminary discussions with Royal Trustco. Although the Royal Bank declined to provide any details of its discussions with Royal Trustco, Norman Aches, senior vice-president of marketing for its corporate bank division, confirmed that the bank's long-term strategy calls for it to acquire both its corporate and personal-trust business. Until June, 1990, federal legislation prohibited banks from encroaching on the trust business, which includes making independent investment decisions on behalf of individual clients. Because of the legislative changes, said Aches, "We view the trust business as being an important component for a full-service financial institution to provide."

The Royal Bank has already struck a deal to acquire \$4 billion worth of assets from the International Trust Co., which specializes in the highly competitive corporate-trust business. Corporate trust services include such things as stock transfer activities, overseeing annual earnings, shareholder record-keeping and other related work for companies, that it also expects to continue in the trust business it does with wealthy individual clients. Said Aches: "If you look at the demographics of Canada's aging population and the wealth creation trends taking place, then you can see that the personal-trust business is a growing one." Royal Trust also has a large corporate-trust operation, said Aches. "They are a formidable competitor in the corporate-trust side. They have a reputation for high-quality service and delivery."

But despite the temptation to grow quickly by making acquisitions in the trust company sector, the Royal Bank, like any other potential buyer, says that it will be extremely cautious because of the potential risks of buying billions of dollars of loans. A senior executive of another leading Canadian financial institution said that Royal Bank chairman Allan Taylor "has to be a very long way off the responsibility that he has bought \$17 billion worth of assets." To a bank or trust company loans are classified as assets, and if even only a small portion of them are not repaid, a financial institution can quickly find itself having to dip into its capital base to remain solvent. "This is a big, even for the Royal

Royal Trust tower in Toronto. With a track record that makes you nervous"

Business Notes

ONCE MORE INTO THE FEAR

Despite warnings from federal Transport Minister Jean Corbin that the industry must address its problems of overcapacity, Canada's major airlines continued their battle for market share. Calgary-based Canadian Air Lines International said it is on March 1 it would resume nearly half of its domestic flights that it had cut earlier, which represented a 15-per-cent reduction in capacity. A spokesman for Canadian said that the company was restoring the flights because Montreal-based Air Canada had increased only three per cent of its service. An Air Canada spokesman denied the rival company's claims, saying that Air Canada had cut its reduced domestic service by 15 per cent.

FARM ALLIES ENVIOLING

Canada is losing the little support it had among the 104 nations participating in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) for protecting its highly-managed agricultural industry. A senior Canadian trade official who asked not to be identified said that Canada can no longer count Japan and Switzerland as allies to protect Canada's 30,000 egg, poultry and dairy farmers. As a result, the official said that Ottawa is prepared to consider replacing the border restrictions with high tariffs that would eventually fail.

THE LAST OF THE OLD GUARD

Ending years of speculation, Ontario Bldg. & Strategic Development Corp. chairman Robert (Bob) of the Bank of Nova Scotia, Montreal, who held the top post for 21 years, will remain as chairman of Canada's fourth-largest bank but at least a year. Peter Gordon, 64, who takes over as CEO, will also remain in the title of president.

A 30-YEAR LOW

The national inflation rate of 1.5 per cent in 1992 was the lowest since 1962, when the inflation rate was 1.5 per cent, according to Statistics Canada. However, economists said that the low rate reflects the problems, including high unemployment, that continue to plague the economy.

A WELCOME RESPONSE

Consolidated Bank's Hollinger Inc., which bought a 22.6-per-cent voting stake in Southern Inc. from Torstar Corp. in a \$259-million deal that closed this month, will get three seats on Southern's board of directors. The announcement, which came from both companies, quelled speculation that Southern's Canadian largest newspaper publisher, might be hostile to Hollinger becoming its largest shareholder.

Bank," added the executive. Royal Trust is a big institution with a track record that makes you nervous."

Despite Royal Trust's acknowledged strengths, several other financial institutions have indicated that they are not interested in buying into Royal Trust, the holding company. Al Flood, chairman of the Canadian Imperial Bank of Commerce, said that his bank has reviewed the information provided by Royal Trust and "at the moment, we have decided not to pursue that acquisition." But, added Flood, "If requests of that company become available, we would be interested."

Credit Trust, which specializes in the retail side of the banking industry focusing on individuals rather than corporate customers, has also looked at Royal Trust. Said Belmont Clark, vice-chairman and chief operating officer of Credit Trust: "It is not in the tradition of Credit Trust to chase acquisition and we would not do an acquisition unless we were convinced that we were not taking asset risk." Many Royal Trust executives, however, believe that neither bank is an interested buyer because it has said that it needs to be larger to compete more effectively in the deregulated financial services arena. But last week, Marcel Stien-German, senior advisor for corporate relations for BIC, said that "we discussed an ongoing place at the table." Added Stien-German: "We are far away from any meaningful anything that calls for spending more money."

Despite the apparently limited field of suitors, Royal Trust's Miller says he is confident that the company will be able to secure a partner. "I absolutely believe that we will find a partner," he said. "I am not going to talk about fallback positions." He added that the capital is highly liquid and could raise the company will be successful in covering the Toronto-Dominion Bank's role in the fourth quarter. He said that he

could not specify how much the deal will be, nor give details about the additional business processes involved in the deal. But he did say that the company seemed to increase its reserves against bad loans in Britain, the United States and the Canadian real estate sector.



Miller on talk of fallback positions

If Royal Trust is not able to find a partner, however, it is possible that the federal Canada Deposit Insurance Corp. (CDIC) could be called in to help around the company. Last December, the CDIC provided \$3.5 billion in loan guarantees to cover the Toronto-Dominion Bank's role in the fourth quarter. He said that he

Central Guaranty Trust Co. (CIG) officials declined to comment on whether it is involved in the discussions between Royal Trust and potential buyers. Michael Maclean, the federal superintendent of financial institutions, speaking generally about financial institutions that get into difficulties, explained that negotiations between the troubled institution and potential buyers often fail because they cannot agree on a price. "That was the case with Central Guaranty," said Maclean. "The company says that the offering price isn't good enough, that the shareholders would raise more and you can get into an endless argument. In the end, it is the system, in the form of deposit insurance guarantees, that pays." He said, he noted that the steady stream of real estate values has made potential purchasers extremely wary of taking on any new risks.

He said that in the case of Central Guaranty, the situation got worse as the debate dragged on. The continuing decline in real estate values is creating such continuing risk in the financial system that financial institutions are generally unwilling to increase their risk by taking other institutions' losses to their own already weak portfolios. "One of my greatest worries is that more is going to take a risk, one is going to buy," said Maclean. "Nobody is even going to take it if you say 'Take it over for \$1.75 per share.' Take it. It's yours. They may say, 'Drop dead.'"

In that entirely realistic investment, Royal Trust is waiting anxiously to learn whether any of its competitors, who really acknowledge the superb quality of some of its assets, are tempted enough by the prospect of loan-guarantee to make into the risk of the unknown. And it would be to the advantage of the country's financial system if that happens before depositors like Herbert Guttman have to panic.

BRENDA DALGLISH

AN INDUSTRY IN TRANSITION

For Canadians choosing financial services, the options used to be clear. They could go to a bank to deposit their money, to a trust company for the management of wealth and estates, to an insurance company for protection or to a stockbroker to trade securities. But since the 1970s, both Liberal and Conservative governments in Ottawa have deregulated the financial services industry—and have made the distinctions among the so-called four pillars less, a consumer can buy a mutual fund at a trust company, or buy a retirement savings plan through an insurance company. As well, a wave of consolidation has swept through the industry. First the big banks, the national banks bought major brokerage houses, only the Toronto-Dominion Bank developed its own securities dealer. The announcement

last week that Royal Trust, now the second-largest bank in Canada, is for sale, has led speculation among industry insiders that the banks could also absorb the trust industry.

Some industry analysts say that further consolidation will make Canadian financial institutions more competitive. Don de Montigny, the Conservative minister of finance, said that, who was once a madhouse of banks willing to touch money, and that the legislation introduced in June "costs less than the removal of the pillars." He added, "None of the legislation forces anything. But the consolidation here is taking place because we are, in a way, over-served in the financial sector."

Substantial changes are already occurring in the trust industry. In October, the TD Bank broke its own rule of holding either trust-bearing assets and announced that it had acquired the newly bankrupt Central Guaranty Trust Co. for \$125 million. The Halifax-based bank bought \$11 billion in deposits, was once the third-largest trust company in Canada. The Bank of Montreal is setting up the

Trust Co. of the Bank of Montreal, and executives say that it already has \$25 billion in assets under administration. And on Jan. 4, Montreal-based merged those small trust companies that it owned, Home Trust, Citibank Trust and Royal Trust. They became the Ontario, Ont.-based Mutual Bank of Canada with \$994 million in assets under administration and 14 branches in southern and central Ontario.

The changes follow three extremely difficult years. The collapse of the real estate market, in particular, exacted a heavy toll as many trusts were left holding delinquent loans. But John H. Maclean, president of the Trust Companies Association of Canada, said that many of its 31 members have restructured and made provisions against loan losses. As a result, he said, the industry is more competitive than ever—and that "people saying we're going the way of the dinosaurs is a bit of a surprise."

BARBARA WICKES

A failure of trust

Concerns about a subsidiary rock Edger

Even by the body standards of the 1980s, the partners of Hess International Services Inc. were known in Canadian business circles for their confident, aggressive style. Frank with the cash and the influence of Stephen Leung, James Peter and Edward Brodwin, the executive, laid-out agent of merchant bankers persuaded the bright spirit of the time, coming those who followed convention and played by the established rules. As a self-styled brain trust of the sprawling group of companies assembled under the headmaster's "Edger" banner, the Hess partners provided strategic financial and management advice to the growing web of company-controlled corporations. But by the late 1980s, they had branched outside the group and began pursuing their own way as so-called workaholic specialists, with expertise in restructuring troubled companies. At one time, senior partners at Hess even spoke publicly of their intention to take over and reorganize major Canadian steel-based banks. But with the acquisition of Edger-controlled real estate company Realstar Ltd. of Toronto, the recently announced sale of troubled Toronto-based Royal Trust Ltd. and a crisis of public confidence in other Edger holdings, the team from Hess no longer has to look beyond the group to find companies in need of help.

Indeed, implementing a turnaround for the losses of Royal Trust and other troubled Edger-controlled companies impinged on pace last week as shareholders scrambled to sell their Edger stock. It already took on the Toronto Stock Exchange.

Shares of Hess International Services Inc. are trading at a record low. Among the hardest hit were Royal Trust, which fell 53 cents to \$2.11 a share, Tricon Financial Corp., which lost 45 cents to close at \$3.15 and Hess, which dropped 67 cents to finish the week at \$5.87. Said one Toronto-based securities trader, on condition of anonymity: "There is just no sense in the market of how the things are going to unravel or where the bottom lies."

One cause for concern among investors is the group managers, headed by Edger architect and chief strategist, James Leung, have already taken most of the obvious subsidiaries' positions. Indeed, over the past two years, Edger-controlled companies have sold off more than \$2 billion in various assets to bolster cash reserves, to service debt and to simplify the corporate structure—and that

trend is expected to continue in 1993. "We have a specific target for dispositions but we are certainly looking very hard at what we find what we can," said Robert Harding, chief operating officer at Hess. But according to investment analysts who follow the group, the process of unwinding the complex Edger empire will be increasingly fraught with complications—especially since the prime assets have



Cockswell, no sense of how far things will unravel

been sold to raise much-needed cash.

Although assets within Edger-controlled operating companies, including Royal Trust's retail trust division, may find willing purchasers, problem assets are not likely to be included in any such negotiations. That has become clear last year when Royal Trust sold the healthy assets of its U.S. division, Pacific First Financial of Seattle, but was compelled to refuse the company's sizable portfolio of non-performing loans. "They aren't exactly laughing from a position of strength in these situations," said an investment analyst, who spoke anonymously.

Another major obstacle is Edger attempts to diversify its empire in the real estate about \$5 billion in preferred shares issued and held by group companies. These investment portfolios of preferred shares will have to be released or

divested before operating companies like brewing and entertainment conglomerate John Labatt Ltd. of Toronto can be sold outright. In addition, the steady sale of healthy operating divisions clearly diminishes the ability of companies at the bottom of the interrelated corporate structure to feed those above it with dividend income.

Last year, as corporate earnings faltered, Edger group companies as a group still paid out more in shareholder dividends than their stocks earned. Analysts say that the purpose of that policy was in part to mask the hollowing out of the top of the pyramid of Edger-controlled companies. Later, for one, divested \$800 million in cash from common stock sales to its shareholders, including top-level Edger companies, in 1992. "It's the corporate equivalent of eating your young," said the investment industry analyst.

Because of the tightly interwoven structure of the Edger empire, it is difficult to contain problems after they appear in any of its companies. However, anxiety over Royal Trust's administration of its need for an infusion of capital quickly spread from week to week to its minority shareholders, financial services companies, Tricon Financial Corp., as well as its Hess. Although Tricon executives publicly stated that they were still prepared to issue a \$100-million commitment to purchase equity the next time that Royal Trust issues shares, investors were clearly not convinced that the company was in a position to fulfil such promises. In fact, some industry analysts claimed that the company may soon be forced to divest other financial assets, including its majority interest in London Life Insurance Co.

The uncertain future of Tricon, which also controls national retailer Best Western and the Wellington Insurance Co., was especially unsettling for major institutional investors, including the Ontario Teachers' Pension Plan Board. In April that fund paid about \$10 million, or roughly 80 cents a share, for a 9.9 percent stake in the company from bankruptcy lawyer & Task Force Consultants Ltd. of Toronto.

The senior strategists in the Edger empire also have a direct stake in the collapse of the group's share prices: most of them have borrowed heavily in buy shares when they were at significantly higher prices. They are now saddled with debts secured by shares that have lost much of their former luster. For minority shareholders, the financial squeeze at top managers is least means that those who hold the Edger empire will be forced to write it down. And if the group's financial position continues to deteriorate these loan guarantees that the Hess-Edger partners may write—but they cannot pay.

BRENDA MACLEOD



BUSINESS

Challenging the boss

Shareholders and managers reconsider their roles

Less than a year ago, the 908 people who attended the annual shareholders' meeting of the Canadian Imperial Bank of Commerce (CIBC) at Toronto's Royal York Hotel last week, 74-year-old Alex Kousser and two of his friends, all small investors, stayed after the formal proceedings for free sandwiches and coffee in one of the hotel's ballrooms. They were clearly unhappy with the bank's financial results for 1992: profits plunged to \$12 million from a record \$111 million in 1991. Much of that decline resulted from \$1.4 billion in bad loans that the bank wrote off last year, almost half of them to the Renaissance family's newbankrupt Olympia & York Developments Ltd. But at the meeting, CIBC chairman and chief executive officer Al Fazel, who expressed many of the bank's transactions with the Renaissance during the 1980s, and a management-supported slide of decisions were re-elected without opposition. And only one shareholder questioned Fazel directly about the losses. Afterwards, Kousser said that the bank should not have loaned so much to a single client. In the United States, where the chief executives of 13 major corporations have been fired in boardroom revolts in the past 18 months, shareholders and directors of even the largest companies are far less tame.

The most prominent casualty has been Robert Stempel, the chairman and CEO of General Motors Corp. of Detroit, whose board of direc-

CIBC annual meetings in the United States, shareholders are far less tame

tor fired him in November. Others have fired their backs against the wall, including John Akers, the exiled chairman of International Business Machines Corp. of Armonk, N.Y., which last week announced a \$4.7-billion loss for 1992, the largest ever by any corporation. But so far, despite some signs of restlessness, the American-style corporate rebellions have not spread into Canada. And even shareholder-rights advocates who argue that Canadians should assert themselves more forcefully come up with the caveat that such action is unlikely in the near future. Declared David Leighton, a professor at London's University of Western Ontario School of Business and a director of several Canadian corporations, "If shareholders don't start asking questions, then we're not a bunch of eggs in one basket."

So Leighton and many other experts who study corporate governance, the events in the United States are a welcome sign that shareholders can regain control over companies where senior executives have had free reign for decades. According to traditional management theory, shareholders should be the ultimate authority in any corporation, electing a board of directors that appoints a president and other operating officers and monitors their performance.

But as any accountant has grown over the past half-century, ownership has become dispersed among thousands of shareholders, with no single individual able to cast a decisive vote. As a result, power has gravitated to the senior executive suit, in many cases, those executives pursue goals other than directly increasing maximum returns for shareholders, including growth for its own sake and paying themselves generous salaries and bonuses.

But as the recent wave of shareholder revolts, even founders of companies have lost their jobs. Two years ago, the board of directors of Compaq Computer Corp. of Houston, Tex., removed founder Joseph E. Moudougan after he refused to cut costs and lower the price of the company's products. Last year, the board of another computer maker, Maynard, Mass.-based Digital Equipment Corp., ousted founder Kenneth Olsen to retire early because of his failure to respond to the shift to smaller computers.

In Canada, small shareholders have also staged a handful of uprisings. In 1987, minority shareholders of Canadian Tire Ltd. of Toronto blocked an attempt by the children of founder Alfred W. Biller to gain their controlling stake in the company directly to a group of share dealers. Both the Ontario and Quebec securities commissions vetoed the sale after minority shareholders argued that it denied them the chance to cash in on the higher stock prices that would have resulted from a bidding war for the company on the open market. But for the most part, such revolts have been rare. And in the few instances where chief executives were forced out of their jobs, including Garth Drabinsky's departure from Complex Oil Corp. in 1989 or Peter Cole's resignation as chief executive officer of troubled Capital Capital Corp. in 1990, they were fired for long controlling shareholders who had tolerated erratic performance for some 10 years.

In fact, shareholder-rights activists claim

that, in many cases, companies that are closely held are the most difficult to reform. Leighton and that about 70 per cent of the 180 listed Canadian companies are "closely held," while only 38 per cent are "widely held" in the United States, the percentage among roughly the same. And although the dispersal of ownership widely held corporations has somewhat dampened the power of senior executives in the past, Leighton expects that recent regulatory changes give activists a better chance to organize themselves to disinvest.

In tightly controlled Canadian corporations, particularly the operating companies in Peter and Bennett Stempel's Toronto-based Edper group, the odds against such challenges are much higher. In the Edper group, a small group

held by Of Royal Trust's 34 directors, three are company executives and six others are executives with other Edper companies. And some of the outside directors clearly were not chosen for their financial expertise, including broadcaster Adrienne Clarkson and former Montreal Canadiens hockey star Jean Beliveau who played for the team when the franchise moved to the 1980s.

But with Royal Trust and much of the rest of the Edper group now struggling, concerns about management domination of closely held companies appears to be growing. In Toronto last week, federal superintendents of financial institutions, Michael Macneil, said that "where the attraction is clearly held, we see little evidence that its outside directors, acting

corporate establishment is rather narrow."

In the United States, by contrast, more and more outside directors are joining disgruntled shareholders in agitating management. The revolt against Robert Stempel at GM during the fall, for one, was spearheaded by John Smole, a vice director and former president of wagon-maker Turner Proctor & Gamble Co.

Those shareholders and outside directors, in turn, are getting support. From two key sources, civil service pension fund managers and other large institutional investors, and national shareholder-rights activist groups. For their part, the activists are becoming increasingly impatient with poor corporate results. But because their holdings in any company are so large, they risk providing a sharp downturn in share prices, and further losses, if they simply sell off stock in any single company. As a result, they have few options but to press management for change.

Dale Blesser, chief executive officer of the \$10-billion Columbia Pacific Insurance Retirement System, for one, has publicly criticized low share prices. Alan Akers, the \$6,800-member United Shareholders' Association, in turn, has tabled resolutions for an annual meeting in April, calling for a 50 per cent increase in the office of chairman and CEO and to ensure a majority of outside directors on any of the board's important subcommittees.

In Canada, however, there are no national shareholder-rights groups. And apart from Quebec's *Casse de dépit* at placement du Québec, most public and private fund managers are more devoted to transactions with individual companies. Said Robert Siddons, senior vice-president of investment for the \$15.5-billion Ontario Municipal Employees Retirement Board, "There are other ways to achieve your objectives than to lead the charge in the newspapers."

But last week, at least one Canadian shareholder was less reticent about speaking out. At the Royal Bank of Canada's annual meeting, Michael Joseph Harris, 70, stepped up to a microphone and loudly asked bank chairman Alan Tonks "How could you have made so many bad loans and why did you put involved at the Olympia & York real-estate mess?" Like the U.S. Bank of America's chairman, Thomas H. Manville, a worldwide real estate downturn for the disaster and promised to try to do better in the future. For the moment, at least, most Canadian shareholders appear quite willing to settle for their own explanations.



Garth Drabinsky, 44
Former chairman and president of Complex Oil Corp.

After a bitter, eight-month battle over control of the North American cement giant, Drabinsky lost his ownership for a package payment. Because he could not raise the money to complete the transaction, the board of directors removed Drabinsky from his executive position.



John Akers, 67
Chairman of International Business Machines Corp.

Shareholder pressure on Akers to resign has intensified as IBM's financial results have deteriorated. Last week, the company reported its first-ever annual operating loss, including a \$6.7-billion deficit for the fourth quarter of 1990. A dividend cut is expected following this week's meeting of the board of directors.



Michael I. Corneilissen, 49
Former president and chief executive officer of Royal Trust Ltd.

After repeatedly insisting that the trust industry's sagging fortunes were bound to improve, Corneilissen abruptly resigned in December amid reports of increasingly erratic public behavior. During his 10 years at the helm of Royal Trust, Corneilissen led the company's bid to gain qualification over European and U.S. entities.

of senior executives maintain effective control of these operating companies through holding companies that own close to, but not more than, 50 per cent of the shares in the subsidiaries.

In use of the most troubled of the operating companies, Royal Trust, small shareholders have had many reasons to complain in recent years. The company's shares have declined to \$2.11 from a high of \$19.28 in 1989, largely because of losses that chief executive officer Michael Corneilissen's failed bid to merge with other companies in the mid-1980s. Despite huge losses from these ventures, Corneilissen stepped down only in November. Many analysts say that the delay reflects the domination of the board by so-called meek directors from Edper rather than outside directors representing other share-

holders. Of Royal Trust's 34 directors, three are company executives and six others are executives with other Edper companies. And some of the outside directors clearly were not chosen for their financial expertise, including broadcaster Adrienne Clarkson and former Montreal Canadiens hockey star Jean Beliveau who played for the team when the franchise moved to the 1980s.

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At the Toronto congress, is advertising going to free this country?

Getting the message

Ad agencies face new challenges from abroad

The television commercial has the disconcerting appearance of a dinner when the guests are invited but, at the same time, disconcerted. By the best of a troubling sock song, a group of comically ill, scantly clad young men and women take turns reaching into a refrigerator for a frosty will drink one. One blond youth presumes the cat is against his chest. But the female gives way to the otherwise right the people step outside. There, unassuming fields of asparagus are shown—what seems to concern none of them. "It's a tale of the fact that you won't find a asparagus field from Prince Edward Island to Vancouver, that ad was in lag, lit in Canada," said Peter Sealey, senior vice-president of global marketing for Atlanta, Ga.-based Coca Cola Co. The commercial, made by McCann Erickson in Sydney, Australia, is a sign of a broad-based change that is sweeping the advertising industry. A growing number of multinational corporations like Coca Cola are launching global advertising campaigns, rather than having subsidiaries in foreign countries plan their own strategies.

That development poses a clear threat to Canadian advertising agencies. Only a handful of the world's largest multinationals have their headquarters in Canada, while many of the foreign-owned giants that have captured Canadian firms are shifting their business back to

Montreal, a subsidiary of the Boston-based owner and the former head of Colgate Co., said that said 1988. Colgate maintained its products country by country. But now MacMillan said, individual Colgate salespeople supervise the company's product lines in several countries.

MacMillan said that Colgate's top-level executives in Boston make all major strategic decisions, while company executives in each area execute that strategy. "An international market, we concentrated ourselves to the boardroom, culture and traditions of the individual nations," said MacMillan. "As a global advertiser, we strive to lead for commonality, versus leading for differences." Indeed, one TV ad that Colgate used in 37 countries simply showed a series of smiling, clean-shaven men in a variety of every-day situations.

Despite the campaign to coordinate decision-making, some Canadian executives say that they can slow or reverse the trend. IMAG's Breiden, for one, is one of several industry executives who have spent much of the past two years organizing the first Canadian Congress of Advertising, a three-day conference and trade show held in Toronto this month, which more than 750 delegates from across Canada attended. Several speakers at the forum argued that local activities, initiatives and programs are too important to allow global advertising campaigns to completely replace them.

Patrick Bradshaw, one of several speakers at the Bradshaw agency in Ottawa, said that even though his country is small and shares the same languages as France and the Netherlands, market research showed that French, the French national water bottle, couldn't use the existing advertisements from either of those countries. Instead, Bradshaw borrowed aspects of the French company's campaign, but used images and copy specific to Belgium.

Other executives agree that the extent of global advertising is as much as it is a Canadian as a threat. Several Canadian agencies have recently won contracts for international campaigns. Breakers' O'Brien recently won the account for the Barbados School of Tourism for all of North America. Montreal-based Convergence Marketing Inc. has the worldwide Peugeot account, except for the United States. And Coca Cola's Sealey said that the company has had great success around the world with three TV ads that are packed up from Canada. As the global advertising world shrinks, Canadian agencies have a chance to ensure that their unique point of view remains viable—both at home and abroad.

BARBARA WICKENS

BUSINESS WATCH



Lithuania's banker lives on Bay Street

BY PETER C. NEWMAN

You don't expect to find the yellow, green and red national flag of Lithuania in a Canadian banker's office. But this, Grailis or Parviz, president of Barclays Bank of Canada is no ordinary Canadian banker.

While our own bankers have been moved to the rear of real estate backlogs, he has reached ahead into a newly created economy world to find his profit. In his quest, Parviz has established connections that have made him the most sought after banker in Lithuania and he is currently expanding his already substantial global network in the former Soviet Union.

An Iranian born in Beirut, the 37-year-old Parviz joined Barclays in 1980 as an assistant in Canada, and in partnership with chairman William Harris has now guided his evolution into the bank's 19th largest bank with assets of more than \$2 billion. That's a long way from the six employees and nearly \$20 million worth of assets the bank had when Parviz joined in 1980.

The last initiative, which has included the opening of several senior former Soviet Bloc bankers at Barclays' Bay Street Canada headquarters, at the 40th-floor corner bank's expense, have been his major efforts. Parviz has been the driving force behind the bank's expansion into the former Soviet Bloc. It has become the bank of choice for most of the Calgary Oil Patch drilling companies that have moved their eyes to Siberia. The always been a continuous "he told me recently. "I've started the course now though everything I told me that trying to do business in the Soviet bloc was worse. I even had one guy come in and tell me, 'Why do you believe?' I stayed the course, and now everything is falling into place."

Parviz is convinced that doing business in the Russian market offers Canadian businesses their most realistic chance of growth in the future because we have similar climates, the same time zone and similar economic challenges and above all, we can offer the underdeveloped Russian economy North American technology without the American

I'm seriously contemplating whether to bring KGB agents over here and have the RCMP train them in corporate surveillance'

imperial mindset. "The Russians have known me for almost 20 years, I've been over there so often," he says. "We followed the original McDonald's deal and the people I dealt with then are now the country's leaders. I can predict the business plan for the Soviet Interbank Commercial Bank for the development of Wholesale Trade (VTSB), one of the best of the new enterprises I've involved because we trained Sergei Tolstakov, deputy general manager of the Association of Manufacturers and Entrepreneurs, which is one of the bank's largest shareholders. The VTSB is now, has now become the local focal point for the Canadian oil companies we're involved with."

Barings' Barclays and its 300 Canadian employees don't have Parviz as much as he's like to deal with his overseas business, but he plans to establish a full-time Russian desk at the bank. Meanwhile, he is dispatching 300 computers, originally worth \$2 million, to a Siberian oil project and has acted as an intermediary as the company decides to sell the former Soviet Union a satellite-driven computer-link system for isolated bank branches, developed by Corporation Data Services Ltd. in Minneapolis, Ont.

His interest in the former Soviet Bloc was

ignited in early 1986 when Parviz met Lithuanian Prime Minister Gediminas Vagnorius who was on a Toronto visit. Hearing about the country's efforts to reestablish its democratic institutions and free market rules, he offered to help educate some of its bankers in capital techniques. Within six months the first trainer, Rolandas Madauskas, chief economist of Lithuania's ministry of finance, arrived in Toronto. Parviz visited Lithuania several times, meeting the prime minister again, and learned Lithuanian played a key consulting role in the tiny country's economic revival. "During the 1930s and 1940s, Lithuania had a large number of German nationals," he recalls, "and that gives a hint of how Lithuanians treat in Lithuania." Adds Parviz: "In post-war Europe, the Lithuanians was an on-par with the Swiss. The institutions of the people was just right for economic transformation."

Parviz encouraged Lithuanians to leave their overly repressed banking system on the Canadian model with branches throughout the country, and to establish credit unions in rural areas. That advice was followed, and when a crisis time for the local republic to create a central bank, he arranged for two of his leading economists to visit him, while he was in the bank of Canada. Parviz has since trained many Lithuanian and Russian bankers at his Canadian headquarters. "We're a kind of microcosm of the Soviet Bloc," he says. "We carry out all of its functions except real banking, and because we're so much smaller, the training can be much hands-on experience. There isn't another country in the world that has set up our kind of infrastructure to train these people."

In dealing with the larger scale of the Russian economy, Parviz doesn't find it as needed funds in his banking system when he's asked for them and his bank. Training them, sending them back into the system, and then using them as contact points for his clients seemed the best approach, because it benefited both parties. The biggest problem Parviz has seen in the Lithuanian system is within the old Soviet Union was that they could never get anything done because people running the banks simply didn't understand the necessity in respect to requests for funds. Parviz says he has seen a few key players in the system who do.

One of the major problems Parviz sees developing in Russia is that "all the cheating goes on in the world, the shysters, the swindlers, the fast-buck artists are moving into that country. He adds: "I'm seriously contemplating whether I should bring a couple of KGB agents over here and have the RCMP train them in corporate surveillance to head off these crooks. The new Eastern European banks have to learn how to protect themselves, how to gather reliable information on the people and companies coming in."

The Parviz training plan is precisely what this country needs. It's all too typical that the kind of creative initiative is being undertaken by an Iranian who works for the Canadian subsidiary of a British bank.

A museum reborn

The Art Gallery of Ontario rises from the ashes

With evident pride, the Art Gallery of Ontario (AGO) unveiled its newly expanded facilities last week. Gallery officials noted that the Toronto institution was now among the top 10 largest art museums in North America, and they provided a written account of the work's 150-year history. The second-last item in the chronology: "1990—The Glenn D. Lowry is appointed director of the Art Gallery of Ontario" (and the final item: "1993—The new Art Gallery of Ontario opens on Jan. 24 with 30 new and 30 renovated galleries. Cost of expansion and renovation project: \$58 million.") Moving between those milestones was any mention of the worst crisis of the gallery's existence. During the summer, the Ontario government refused the AGO's request for additional funding of \$8 million. The institution then extended a three-month closure required for the renovations to seven months and laid off 244 of its 445 employees (it has since rehired 300). Declared Lowry: "We're taking an avoidance that is 90 per cent larger in terms of its exhibition space, and we're operating it with 50 per cent fewer staff. Can it be done? I sure hope so."

Certainly the gallery has never looked more prosperous. Its new spaces, designed by Los Angeles-based Barton Myers Architects Inc. in joint venture with Toronto's Romblens Payne McLean (Bartley Architects), officially opened previous 1970s additions, including the James H. Barry Moore Sculpture Centre. The new features include an expansive, partially topped entrance court and a two-story sculpture atrium. For the first time, the AGO has permanent galleries for an art collection (the second-largest in the world after the Whitney Art Gallery) and its contemporary holdings. Meanwhile, the historical galleries have been renovated to reflect the universal opinion that prevailed at art museums before the rise of white-walled modernism.

Like many institutions, the AGO decided to go ahead with a grand new renovation for itself during the 1980s and 1990s. In the latter years of the decade, as the gallery poured up



The new atrium: 50 per cent more space—but half the staff

for the expansion, a consistent pattern developed. Each year, the gallery set, as recorded in annual base grants of between \$5 and \$8 million from the Ontario government, which provides the bulk of the institution's operating revenue. But it also petitioned the AGO to receive, supplemental provincial funding of up to \$1 million to help pay for operating costs related to the new construction. As well, in the 1990-1991 fiscal year, the gallery received a \$4-million supplementary grant. Then, in 1992, New Democratic Culture and Communications Minister Karen Hudson refused to hand over most of the supplemental funds that the gallery had come to expect, arguing that the institution must learn to live within its means. Between the 1990-1994 and 1991-1993 fiscal years, total provincial grants to the AGO declined to \$8.2 million, down from \$12.3 million. For 1990-

1991, Ontario has given the AGO \$16.5 million in operating and "transitional" funds.

Last summer, Hudson commissioned a task force, chaired by former Whitney Art Gallery director Terrence Heath, to examine the structure and politics of the AGO. Its report, released last November, states that the gallery's financial management is "absolutely sound," but that it must reduce its dependency on government funding. Hudson had also asked the task force to consider whether the AGO was meeting the needs of Canada's most ethnically diverse province. The report concluded: "The most important and difficult problem facing the AGO is how to broaden its audience."

In response to that comment, Lowry told *Maclean's* last week, "We didn't need a task force to tell us that." The 52-year-old, formerly an Islamic art scholar at the Smithsonian Institution in Washington, added that the gallery has been trying in rough and in a wider public for years. Visitors can now look at their car's parking on a few interesting aspects of individual works of art on display nearby. Interactive computers in the Canadian historical section take the picture area further. At the touch of a button, a framed in front of Tim Thomson's 1917 shortstop *The War and the World* appears, "Do you hear the waves crashing on the rocks? Do you feel the force of the wind?" But Lowry argues that the AGO, in its quest for accessibility, must stop short of attempting ethnicity as the principal basis for including or excluding works. "Art is not democratic and it never has been," he said. "There are certain artists who are better than others."

Lowry says that the AGO's course of action since last year's crisis has been, "Do less—better." The gallery has cut back sharply on its educational and outreach programs and may host fewer large touring shows. Still, last week Lowry said that he was heartened by a surprise announcement of increased funding for the AGO from the province. Hudson last said that in the 1990-1994 fiscal year, Ontario would provide the gallery with an additional \$2 million, bringing its operating grant to a total of \$11.5 million—just \$1 million less than the amount recommended by the task force on the AGO. As well, last week the Ontario government said that it would contribute \$900,000 towards the gallery's capital budget.

For his part, Lowry says that he is confident that the institution's worst troubles are over. "I believe that no matter what happens," he declared, "The Art Gallery of Ontario is better today than it was five years ago. Period. Can it be even better? Absolutely."

PAMELA TONG

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Maclean's

CANADA'S FAVORITE NEWSMAGAZINE

BOOKS

'My heart is torn'

An author explores his
French-Canadian roots

FRENCH CANADIANS: AN OUTSIDER'S
INSIDE LOOK AT QUÉBEC
By Michel Grotton
(New Yorker, 232 pages, \$29.95)

Michel Grotton says that when he was growing up in a French, working-class district of Ottawa, he did not know that he was part of a minority. "Neither I nor my friends, brothers and sisters knew we were living on a demographic island in a sea of anglophones," writes the 49-year-old journalist. But as he grew up, Grotton realized he realized that not only was he French-Canadian as an English province, but that he was also an outsider in the francophone world. At boarding school in Quebec, other students called him a "weird"—a reference to the Anglo minority Grotton's French-Canadian family, as its subtle suggests, deal with Quebec—but only superficially. The real heart of the book is Grotton's belief that the francophone community in Ottawa is dying out.

Written in the same straightforward, personal style of his syndicated, news newspaper column, Grotton's book offers a poignant portrait of a boy's growing sense of being different. Writes the author: "My parents in their youth had easily crossed beyond the two nations that separated us from Parliament Hill. We were the same. Ottawa West was English and alone. We simply didn't go there as if some force field existed that told us we weren't welcome."

That early autobiography is the strategic part of the book. Grotton fondly recalls his father's role in the broader Quebec movement, offering a sociological analysis of the growth of nationalism. Grotton, a Quebec resident in 1979, recalls that he voted for the ultranationalist Parti Québécois because he believed that sovereignty was the "best hope for the survival of the French-Canadian nation."

Grotton later turned his back on the independence issue, serving as Prime Minister Jean Charest's press secretary from 1984 to 1987. But, in the epilogue, he acknowledges a certain ambivalence: "Like most French Canadians," he declares, "my heart is torn between a French-idea and a single life. Maybe my children and yours will cope better with our differences."

FILMS

Big-screen mavericks

Independent visions reach the movie houses

Now that the holiday movie season is near, *Moloch's* members often are haggling to *Julie*, allowing independent film some screen time. These new movies display the talents of young, maverick directors from Johannesburg, London and New York City.

SABOTAGE

Directed by Garrel James Rood

Like an apocalyptic parody of the movie *From Dusk till Dawn* as the story of a South African schoolgirl who dreams of stardom. Stripped and dancing through the dusty streets of Johannesburg's Soweto township, Mack Jones in leather boots play out her fantasy with a spirited production number. Then, as the camera pulls back, the movie slows. Darts darting around a row of giant black letters, and like these of the famous Hollywood sign—but spelling out something different. Suddenly, an armored truck veers into the crowd. The song ends and the students scatter. That kind of rule transition, from musical fantasy to dystopian realism, makes *Sabotage*'s potent *Moloch* cocktail of entertainment and politics.

Adapted from the 1988 Broadway play by South African playwright Mphahlele Ntshona, the movie features Lelani Khumalo, the play's Tony-nominated star, in the title role. She makes a stunning screen debut as Seretse, a headstrong student who worships then-impresario Nelson Mandela and hopes to enter his school musical but isn't. But as the police crack down on democratic students, she receives a brutal lesson in repression.

At times, the movie's dialogue borders on over-the-top, as students tell him, "It is hard to attack a guy at apartheid for being too patriotic." Filmed in Soweto by 29-year-old Afrikaner director David James Rood, *Sabotage* evokes South Africa's recent history with a striking sense of authenticity. The movie features exhilarating music and a strong cast, which includes singer Mphahlele Ntshona. The only false note lies in the casting of Whoopi Goldberg, who adopts an uncaring interest in her role as a dissident teacher. The producers say that they had Goldberg for her magnetic value, but Ntshona's understatement does not need a hand up from Hollywood.

PETER'S FRIENDS

Directed by Kenneth Branagh

When British actor Kenneth Branagh first bounded into stage to screen, directing and starring in his Oscar-nominated *Alfie* (1996), some critics batted him as the new Laurence Olivier. Then, when he followed up with a flamboyant thriller, *Dead Again* (1999), there was silence to Oscar. But in the new movie, *Peter's Friends*, Branagh's creative fusion of English theatricality and Hollywood showmanship wears thin. It is a child-driven



Almonds: the rascal is a strange debut as a headstrong student who worships Nelson Mandela

comedy about a group of old friends from university who stage a weekend reunion 10 years after they graduated—A FINEST THING EVER.

Missing at an English country mansion that Peter (Dinklage) first inherited from his father, each guest brings a secret. Sarah (Alphaville), Elizabeth (L. L. Cooly) is addressed to promiscuity. Roger (Hugh Laurie) and Mary (Imelda Staunton) are getting up the pieces of a shattered marriage. Andrew (Graham) is a gift playwright who has sold out to Hollywood by creating a sitcom and marrying its widow star—played by an evergreening Rita Rudor, the movie's co-writer. Meanwhile, Branagh's role, as the play's producer, provides the movie's one delicate performance as Magpie, a lonely eccentric.

Despite some juicy bits of English humor, *Peter's Friends* lurches from overboard to

to bickering melodrama. The vocal track is larded with gratuitous pop songs. And the former protégé of Henry IV, who acts and directs with surprising uncertainty, appears to have gone onto two other sets for breach.

LOOPS OF GRANTY
Directed by Nick Guss

Two decades ago, a 36-year-old director named Martin Scorsese made Alan Smithee, a low-budget drama set in the rough New York City neighborhood where he grew up. A visceral, enigmatic portrait of petty hoodlums, the movie became a classic, pioneering a new style of street-wise cinema. And Scorsese later emerged as the most respected American filmmaker of his generation. Now, with *Loops of Gravity*, named New York director Nick Guss has made a *Mean Streets* for the 1990s. Working with an immensely low budget of \$14,000, he used unexpensive actors and hand-held photography to create a drama with real documentary realism.

Two pretty women, Jenny (Peter Ganser) and Joe (John Turturro), are something to make

an instant in Brooklyn. Jenny is irreducible with a lean shark. Joe is wanted by the police. The plot, such as it is, revolves around a lot of illegal nudging that Jenny wants to sell her to his old friend—the construction of his hardworking wife, Donna (Ella Fennell). But the movie is not really a crime story. With its overwrought dialogue, while playing like a kind of verbal jazz. *Loops of Gravity* is about the conventional rhythm of men talking. Set in a neighborhood where the working class sheds into the underworld, it is about saying "hello," "goodbye" and "you-go-problem" in a thousand different ways. Guss (who has been into film like the Jackson Pollock throw paint onto canvas. The result is crude, complex—and mesmerizing.

ERIN D. JOHNSON

Farewell, angel

Audrey Hepburn epitomized grace and goodness

She made her last screen appearance in 1969, playing a cameo as an angel saving the infant of death for the hero in *Swan Song*, Alvin. And that is how much of the world remembers Audrey Hepburn—as an angelic presence who epitomized class, grace and unfettered good looks in scenes set off. Whether costarring in *Breakfast at Tiffany's* (1961) or dancing in *Rail On! Dusk* (1967), she projected dance elegance. During the past 35 years, Hepburn's movie roles were less and far between, but she remained a star. And in recent years she captured the attention and spotlight as a special ambassador for the United Nations Children's Fund (UNICEF), a post that she had held since 1968. For Hepburn, who died last weekend at 63 from cancer of the colon at her home near Lausanne, Switzerland, drawing the world's attention to the suffering of children in Somalia was her final, and most impressive, role.

Hepburn, who made 26 movies, enjoyed her prime as an actress during the 1950s and 1960s—while the sexual revolution made the name "leading lady" anachronistic. She belonged to a generation of Hollywood royalty. Her leading men, most of them older than her, included Gregory Peck, Humphrey Bogart, Cary Grant, Gary Cooper, Paul Lancaster, Henry Fonda and Fred Astaire. Hepburn's vaguely European accent, her chic wardrobe and her genuine-life beauty won her both admirers and imitators. She seemed so eternally modern. Film-critic Billy Wilder, who directed her with Cooper in *Love in the Afternoon*, once said of her: "Ah, that unique lady. She's what the Latin-catalin girls pretend. She's the original and there are no more originals and there never will be."

Born in Belgium, Hepburn was the only child of a Dutch banker and an English banker who deserted the family when Audrey was six. With her mother and two older half brothers, she was raised in New-couraged Holland during the Second World War. One of her brothers went to a labor camp, and the family was reduced to eating lily bulbs. By the end of it, Hepburn was suffering from various diseases caused by malnutrition—and received medical

help as Oscar for her portrayal of a princess—a role that seemed to stick. She earned long-term commitments to the course of a career that included such movies as *Salome* (1954), *War and Peace* (1956), *Penny Fare* (1957), *The New York Story* (1965), *Charade* (1963) and *The Day After Tomorrow* (1967).

The character that remains most identified with Hepburn is Holly Golightly, the stridently demure call girl at *Tiffany's*. That role, which director Truman Capote, who wrote the book on which it was based, objected that she was "outcast—even though she was 'an old friend and one of my favorite people'." Capote said that he would have preferred Marilyn Monroe. Hepburn also won some controversy when she was chosen to play Eliza Doolittle in the movie version of *My Fair Lady* (1964) over Julie Andrews, who starred in the stage version. As Oscar time, Hepburn was unloved, while Andrews won for *The Sound of Music*. After delivering one of her elegant performances in the thriller *Wait Until Dark*, in a lead woman trapped by a killer, Hepburn glided into retirement with the grace of a star who is both to contrary her welcome. She later made only sporadic screen appearances. But she scored a critical triumph with her one starring role, in *Born and Bred* (1970), playing a middle-aged Mad Maxine opposite Sean Connery's Robin Hood. Later came smaller parts in *Bloodlines* (1973) and *The Day After Tomorrow* (1969). But, as the whole, Hepburn seemed content to leave acting behind.

Even at the height of her career, she kept her distance from Hollywood. In an *Entertainment* magazine with 1966. She went through two marriages, to actor Mel Ferrer and to Italian psychiatrist Andrea Dotti, both of which ended in divorce. She leaves two sons, one from each marriage, and the son who lived with her since 1969. Dutch actor Robert Wolders. Hepburn was working in Somalia when she died at 63 last weekend. As an operation in Los Angeles, her friend (and *Romance* Hollywood costar) George Plimpton shared a lot of take her home to Switzerland. She was to have played Elizabeth Taylor at the Oscars next March 30 to receive a special humanitarian award.

Hepburn's two decades of action stardom seem like a Cinderella tale in a life affected by forces that could move from freedom to Nazi oppression to the Somalia famine. Associating her death, UNICEF executive director James Grant said, "She repeatedly put aside the comforts of home to visit some of the most degraded and often forgotten people in this planet. I can only hope that she is being rewarded by heaven, for she has a most beautiful and angel soul that will know just what to do in heaven."

BRUCE D. JENNINGS



Hepburn in *My Fair Lady* stardom and helping children

OPERA

The dreamspinner

Robert Lepage is a wizard of the stage

In a breathtaking moment in director-performer Robert Lepage's 1985 masterpiece, *The Dogue's Trilogie*, he leaped dramatically on a pedestal and transformed himself into an angel in flight. Last year, in his one-man show *Nord et Ouest*, he honored behind the stage on a vertiginous, a transatlantic voyage. Similarly, Lepage's international reputation has also taken off, making him one of the world's most sought-after theatre talents. But he is better known abroad than in Canada. "Here, they see your faces and your faces," he told *Maclean's*, laughing.

"Only the good stuff travels," he said. Now, thanks to his dramatic power, the two-act opera that Lepage directed for the Canadian Opera Company, and which opened last week at Toronto's Okeechewa Centre, will travel to the Broadway Academy of Music in February. The double bill of *Il Trovatore* and *Il Barbiere di Siviglia* is the first of his first opera—and the first to be seen in New York City. Declared co-general director René Duguay: "This man is an extraordinary talent in the theatre. There is no one like him in the world, and there never will be."

The essence of Lepage's art is a profession full of magical signs as one of the more striking things about Lepage. In a recent interview, he appeared calm and quietly reserved, with a look of vulnerability in his penetrating brown eyes. Even by his own modest reckoning, the 35-year-old has just completed what he calls "an incredible year." *Nord et Ouest* was a runaway hit in London and New York. In London, Lepage became the first North American to be invited to direct Shakespeare at the Royal National Theatre. His audacious *Shakespeare's Night's Dream*, performed in a sun of art, was also chosen as "brilliantly imaginative" by critic Brendan Nightingale of *The Times*. Robert Lepage: "People say 'What you do is so courageous.' But the role of an artist is to do with what you do, it is a tragedy! That is our purpose. There is no more in that."

Critics have hailed Lepage for restoring a sense of marvel in the theatre. And his daring special effects and dramatic imagery have evoked wonders at the box office. But he describes himself as a modest blessing. "An artist should not have on his shoulders the theatre's need for a miracle," he said. "I don't want to be a miracle. I want to be myself."

Conscious about his lack of experience in opera, Lepage named some of the world's most sought-after theatre talents in Europe in favor of the more modern concept. The two acts of the



Lepage: one of the world's leading directors

century opera appeared to him for their brevity and passion, he said. Lepage describes *Il Trovatore* as a dark commentary on the bloody legacy of war and capitalism in 19th-century Europe. *Il Barbiere di Siviglia*, in which a madman wanders through a world, is more hopeful, he said. Contrasting the ways in which 20th-century opera "can go on as never stops. There is something heroic and growing there."

Lepage is self-confessed romantic who says that his feelings "in building a new world on the ashes of the old." One of four children of a taxi driver and his wife, he grew up in Quebec City. He suffered a mysterious childhood disease that left him completely hairless, and says that he was "isolated and depressed, through the selfish of my family. I was always apart." The withdrawal

from the hands of schoolchildren, he said, led to his escape in theatre. In 1962, he joined Théâtre Repère, a cooperative dedicated to creating original works through collaboration and improvisation. His early, more academic, he said, was to "do something so good that it would go to Montreal." *The Dogue's Trilogie* (1985-1986), a six-hour epic set in Quebec City, Toronto and Vancouver, eventually toured the world, as did the equally arresting *Pygmalion* (1987) and *Twelve Hours* (1988).

The works were controversial among Quebec nationalists because French, English and even Chinese were used within the same performance. Lepage himself is fluent in four languages (French, English, Italian and Spanish) and his own family included two adopted English-speaking children. "Quebec has been the narrow-minded about language," said Lepage. Although a nationalist himself, he contends that the presence of two strong cultures in what makes Canada "intrinsically interesting." Of the tag of *new lacrosse*, French and English, he said, "What I want is all about."

Lepage's recent production of a workshop in Quebec City, where he will direct his first feature film this year, gives him a base on his home turf. And he speaks passionately about learning from his father's production of *Macbeth* and *The Tempest* in Tokyo, and of collaborating with Lucie Andros, Brian Eno and his teenage and Peter Gabriel on a theme-park project in Barcelona. "The world is very exciting for me now," he said, adding a clear that he no longer belongs just in Canada, but to the globe.

GILLIAN MACKAY

Maclean's

READ MILLER LIST

PICKTOP

- 1 *Silence's Notebook*, Atwood (A)
- 2 *The English Patient*, Ondaatje (J)
- 3 *Griffin & Sabine*, Sontag (D)
- 4 *Debris Children*, King (F)
- 5 *Testament*, Cricht (S)
- 6 *Deeper Waters*, French (F)
- 7 *For Art's Sake*, Mitchell (A)
- 8 *David's Wife*, Freeman (D)
- 9 *The Tale of the Body Thief*, Rice (J)
- 10 *Deague of Gods*, Fotherton (S)

NONFICTION

- 1 *Shifting Gears*, Dick (J)
- 2 *What's in All About*, Côté (S)
- 3 *The Wives of Henry VIII*, Fraser (J)
- 4 *Maclean's Who's Who*, The Values, (S)
- 5 *Maclean's Who's Who*, (S)
- 6 *The Tale of the Body Thief*, Rice (J)
- 7 *The World's Worst*, Dwyer (S)
- 8 *Debris Children*, King (F)
- 9 *Deeper Waters*, French (F)
- 10 *Deague of Gods*, Fotherton (S)

(1) *Prisoners* has been

Compiled by Brian Bellon



The man on the mountaintop

BY ALLAN FOTHERINGHAM

No dem, no me
—Dany Gillespie, on Louis Armstrong

The pioneer of bebop, long before he died earlier this month, was explaining that he couldn't have extended jazz to its ecstatic limits unless Satchmo had invented the medium. Arms strong, with his hero dragging jazz out of the South and smoky clubs, led the groundswell for Dixie, with his bebop chicks and best trumpet, to soar further in the musical range.

No kidding, as Clinton Canadians could only look with envy as Americans embraced the most appealing president since JFK with his macho charisma. Our rusty nation soon-to-be at the front captured the spirit.

Grip-squeezed McCain and Ford and Carter and Reagan and Bush seemed mature old men. William Jefferson Clinton is the only one since Kennedy who is actually youthful, laughing at the sheer enjoyment of having the job.

Washington in the January sunshine cannot put me a better show. This scribbler, who put in five years a decade ago in the town on yet another hardship assignment, is reduced once more. This is the most beautiful capital on the globe. Paris is the most beautiful city, but Washington—strictly it was laid out and practically designed in the capital of the world's idealistic people on earth—perfectly fits its mission wonderfully.

The fact that it is now the Master Capital of the World, succeeding Detroit—as the 78 per cent of the city that is black and that the motor never seems to be the subject of another column, and a test of Clinton also, since no other modern president has been able to solve it. Presidents are elected to run the world, the people who run Washington, D.C. have been helped so far in fighting out the city.

It is a disaster of William Jefferson, in his one or two terms in office, will sort it out, but he's going to have fun and the country is going to get a lot of fun out of him.

As someone who invented Martin Brax Maloney some time ago, your scribbles set a number of similarities. At midnight, at the



Arkansas Bill inaugural night, there were the so most powerful man in the world up on the stage looking on his telephone with a rock band. It would not have threatened Dany or Satchmo but, as The Washington Post put it next day, "He Could Have Wielded All Right."

In the dying days before the 1968 American election, I was with a friend in Washington when the televised debate (SN member Bernard Shaw asked the stupid question of Michael Dukakis what he would do if his wife was raped and murdered by a parole convict. When the only passionate Greek in the audience flamed and eventually overruled it into a discourse on the economist and the weather, I yelled to the leaders: the election was over—it is proved to be).

Score one for observation. Last spring, observing William Jefferson Clinton on The Avenue (Wall Street) in stocks, knowing his son, I thought the little kid killed himself. Too lucky. Too

padding. Low-class. Score one for being wrong. He struck a lay-up—considering G. Bush pretending he was "out of the bag" on the low-class singer, convincing no one, revealing that asked he was only there because of The Gipper's controls.

So we see, in the January sunshine, what we once saw in the bay from San-Comera. Both kids from extremely modest backgrounds, no Irish, hard working. Clinton's father is killed in a car crash even before he is born. Maloney, on his father's death, has to support his mother, his brother, his sisters.

Both, probably because of the numbers of families at their upbringing, have a highly developed liking for the noble. Both, while susceptible to generosity when richly given, access to many microphones, have a great, open sense of humor to provide. Both, from average roots, reached far for education and sophistication—Maloney first to New Brunswick and then Delaware and then lived with a mansion high on the hill in Montreal. Clinton to Georgetown in Washington and then Oxford and then Yale Law School.

Both value civility? Legality shows all. Clinton during his cabinet and key appointments with friends he first met on his Rhodes Scholarship in England. Maloney still pressing close to his breast his old comrade from prep school and university and early Quebec nights days.

There has been an obvious difference in these two men. Maloney, another, strongly eager to make a connection with the new face of the world, Clinton apparently advised by his handlers that the chip in the Great White North is a lame duck, soon to leave, and what's the point—the matter being emphasized by the rather stagey G. Bush himself welcomed it. Camp David, arriving the Maloney.

They would, actually, get along quite well and when they meet. Because of the sense of wit, the liking for a joke, the appreciation of wit that they become from the wrong side of the tracks. But there is a discomfiting difference, coming from a scribble who invented the one and admires the other. Although they are less than a decade apart, they appear a generation in distance. The 46-year-old from Hope, Ark., is full of energy and dreams, burning with ideas. The 53-year-old from San-Comera, a harder man or goes (he's staying) in a battle on a defensive stance on the show-part last.

In there a Bill Clinton being somewhere in the words in the Canadian news? Can Ken Campbell stand the counsel Patrick Boyce? Paul Martin mentioned another you great, Rita Weller, used to say: "We never know. Do we?" No. One never knew.

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